

Workshop M3

WRAP-UP DOS AND DON'TS

Presented by

Moderator

Panel



Jack Gibson
President
IRMI



Karen A. Frankel
Senior Vice President
Willis Americas



Paula C. Gentile
Senior Vice President and
General Counsel
MGM MIRAGE
Risk Management



William S. McIntyre IV
CEO and President
American Contractors
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For all the controversy and angst they generate, most in construction risk management agree that wrap-up insurance programs (OCIPs and CCIPs) serve a purpose and, due to a combination of market-based, legislative, and judicial pressures, are a part of the landscape that is not going away any time soon. If anything, these programs are likely to become more prevalent. The goal then is to purchase and administer these programs in a way

that serves the needs of all participants at the lowest total cost—from the initial premium payment to the last construction defect claim. In this workshop, a panel of wrap-up experts will engage in a lively examination of both good and bad practices currently found in these complex construction insurance programs. Our goal will be for you to leave the session with both a better understanding of how this shared risk management mechanism alters the relationships between the various parties on projects and how to maximize the probability that your company's or client's involvement in wrap-up programs is successful.



Christopher T. Smith
Corporate Insurance Manager
and National CCIP Director
Turner Construction Company



Bruce Wick
Director of Risk Management
California Prof. Ass'n of
Specialty Contractors



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Jack P. Gibson
President
International Risk Management Institute, Inc.

Mr. Gibson is cochairman of this Conference and he is moderating the panel discussion for Workshop M3, "Wrap-Up Dos and Don'ts," on Monday. He has been an integral part of International Risk Management Institute's management team since 1982, and became president of IRMI in 1985.

Prior to joining IRMI, Mr. Gibson was a consultant with a leading national risk management firm. His consulting practice focused on financial institutions, public entities, and contractors.

Mr. Gibson majored in risk management at the University of Georgia where he received a bachelor of business administration degree, *cum laude*, in 1977 and a master of business administration in 1979. In 1996, he was honored as Georgia's Outstanding Insurance Alumnus of the year. He is a Chartered Property and Casualty Underwriter (CPCU), a Construction Risk and Insurance Specialist (CRIS), and holds the Associate in Risk Management (ARM) designation.

Mr. Gibson is the coauthor of 11 reference works on insurance and risk management, all of which have been published by IRMI. In addition to his management duties, he continues as editor of *The Risk Report*, and is currently editor-in-chief of IRMI.com. A sought-after and highly rated seminar speaker, Mr. Gibson has been a presenter at the annual conventions or meetings of virtually every major industry trade association serving the risk management and insurance communities as well as many construction industry and lawyer seminars and meetings. He serves as cochair and presenter at the IRMI Construction Risk Conference, and received the Words of Wisdom (WOW) award.

Mr. Gibson is an active member of the CPCU Society. He has held many committee and officer positions, including president, in the Dallas Chapter. Additionally, he has served on many committees and the Board of Directors at the national level for the CPCU Society.

Karen A. Frankel
Senior Vice President
Willis Americas

Ms. Frankel is one of the panelists for Workshop M3, "Wrap-Up Dos and Don'ts," on Monday. She has spent over 32 years associated with the construction and construction insurance industry. She began her career in 1977, spending the first 3 years as a project accountant, estimator, and project manager for two Minnesota-based general contracting firms. Ms. Frankel transitioned from construction to insurance in 1980 when she joined an agency specializing in insurance and surety for contractors.

She was recruited to Alexander & Alexander's (A&A) Construction Division in 1984 working primarily on a large general contractor (36th on the ENR listing at that time) and wrap-up accounts. In 1993, Ms. Frankel was promoted to Deputy Director of Alexander & Alexander's National Wrap-Up Unit and then in 1995 became the Director for the National practice. She led the development of A&A's newest wrap-up RMIS system (A&AWrap). She was named as a charter member of A&A's Chairman's Council reporting to Frank Zarb, Chairman of A&A, in 1995 as the only female executive among 42 executives worldwide.

In 1997, Ms. Frankel was asked to join Arthur J. Gallagher to create a National Wrap-Up Practice. She developed the sales and marketing materials necessary to support wrap-up business opportunities. Ms. Frankel established the wrap-up Best Practices and Professional Standards and identified, recruited, and trained staff in servicing this business.

She was an integral member of the design/development team for Gallagher's CIPWorks RMIS system. During her tenure at Gallagher, Ms. Frankel received numerous awards for innovation and business development.

Ms. Frankel was recruited to Marsh's National Wrap-Up Practice in 2003. Her responsibilities included business development, carrier development, program design and placement, team leader for Marsh's proprietary RMIS system development (*MWrap*), review and ongoing refinement of wrap-up professional standards, development of core competencies, and credentialing of wrap-up staff for implementation and administration.

In January 2008, she was asked to join Willis' National Wrap-Up Team, focusing on sales and marketing, product development, training and development of staff, expansion of wrap-up service centers, and review and refinement of Willis' wrap-up tools and marketing materials. She is a strategic member of the Willis WrapTrac RMIS team, providing input and direction with ongoing refinements.

Over the years, Ms. Frankel has spoken about wrap-ups at various seminars: National American Public Transportation Association (APTA) (2004); Chicago Association of Subcontractor's (ASB) (2002); International Institute for Research (IIR) (2000); National Risk & Insurance Management Society (RIMS) (1998); National CFMA Conference (1996).

Paula C. Gentile
Senior Vice President and General Counsel MGM MIRAGE Risk Management
MGM MIRAGE

Ms. Gentile is one of the panelists for Workshop M3, "Wrap-Up Dos and Don'ts," on Monday. She is Senior Vice President and General Counsel of MGM MIRAGE Risk Management Division. She is responsible for insurance procurement, risk management, liability claims, first-party claims, claims-related litigation, workers compensation, and safety for all MGM MIRAGE properties, including insurance and risk management programs for all company construction projects. Her relationship with the company began in 1994 as outside counsel for the properties in litigated matters regarding personal injuries. She joined Mirage Resorts in 1998 as a Litigation Attorney in the Risk Management Division. In that position, she provided legal services and advice to all of the hotels in the Mirage Resorts family.

Before joining Mirage Resorts, she practiced law for 20 years in California and Nevada, as well as serving as Judge Pro Tem in Los Angeles Municipal Court in California and Professor of Law at the University of West Los Angeles Law School. Since moving to Clark County in 1993, in addition to her law practice, she served as Judge Pro Tem in Clark County Justice Court, as a Court-appointed Arbitrator under the Clark County Arbitration Program and as a Hearing Officer for the City of Las Vegas. She is engaged in numerous community activities in Las Vegas, including serving as Vice-Chair of the Las Vegas Metropolitan Police Department Civil Service Board and Treasurer of the Eighth Judicial District Pro Bono Foundation.

Ms. Gentile serves as co-chair of Nevada's Article 6 Commission, to which she was appointed by the Chief Justice of the Nevada Supreme Court. The 33-member Commission is composed of judges, lawyers, and laypeople who are tasked to improve the court system in Nevada. She has served as President of the Nevada Italian American Lawyers and as a member of the Clark County Bar Association Committee on Continuing Legal Education. She graduated from UCLA with a B.A. in Psychology and obtained a Juris Doctor Degree from Southwestern School of Law. Ms. Gentile has presented at industry seminars at the Risk and Insurance Management Society, Inc. (RIMS), International Risk Management Institute, Inc. (IRMI), and Global Gaming Expo (G2E) conventions. She has also been a speaker at the University of Nevada William S. Boyd School of Law and at The American Society of Workers Comp Professionals, Inc. (AMCOMP), 2009 Convention in Las Vegas.

William S. McIntyre IV
CEO and President
American Contractors Insurance Group

Mr. McIntyre is cochairman of this Conference. He is also a panelist for Workshop M3, "Wrap-Up Dos and Don'ts," on Monday. For more than 40 years, Mr. McIntyre has been involved in the insurance industry. He is CEO and president of American Contractors Insurance Group, Ltd. (ACIG), in Dallas. ACIG is construction-industry-owned. Mr. McIntyre has been very active over the years with the Associated General Contractors of America, writing articles and reviewing contract documents, and he is currently serving on AGC's Risk Management Committee. He has written many articles on insurance and risk management for construction and insurance industry trade journals. He coauthored *101 Ways To Cut Business Insurance Costs*, published by International Risk Management Institute, Inc. (IRMI). Mr. McIntyre also is a technical adviser for IRMI's reference manual for contractors, *Construction Risk Management*.

Christopher T. Smith
Corporate Insurance Manager and National CCIP Director
Turner Construction Company

Mr. Smith is one of the panelists for Workshop M3, "Wrap-Up Dos and Don'ts," on Monday. He is the Corporate Insurance Manager and National CCIP Director for Turner Construction Company in Woodcliff Lake, New Jersey. He has worked in insurance for 18 years and exclusively in underwriting and risk management of construction and wrap-up accounts for the last 14. Over the past 8 years at Turner Construction he has held positions as insurance manager and national CCIP technical director, where he has combined his underwriting skills acquired during his tenure at Liberty Mutual with those of risk management while working for Turner Construction.

As the National CCIP Director he has seen Turner Construction's rolling CCIP program grow to be one of the largest programs in the country (over 700 projects totaling 25B since 2001). In this position he is also responsible for business unit support in reviewing all owner controlled insurance programs and assists in facilitating project-specific placements. As a portfolio and account underwriter with Liberty Mutual he underwrote some of the largest construction accounts in the country. In addition to his work with CCIPs, some with construction volumes in excess of \$250 million, he was also instrumental in helping to put together cohesive rolling wrap-up programs for several Fortune 500 companies.

His experience includes extensive knowledge of all types of risk management programs including risk financing, insurance coverage, CCIP administration, claim management, and contractor operations.

Bruce Wick
Director of Risk Management
California Professional Association of Specialty Contractors (CALPASC)

Mr. Wick is one of the panelists for Workshop M3, "Wrap-Up Dos and Don'ts," on Monday. With 25 years of risk management and insurance experience, he is an industry leader and educator on issues critical to the construction industry. His expertise in the areas of workers compensation, Cal/OSHA, construction defect, general liability, and workplace safety make him a frequently sought presenter throughout California.

Mr. Wick is known for his ability to translate complex construction legislation and regulations into understandable and usable workplace information for business owners and managers. His most recent seminars cover topics such as SB 800 and associated claims handling, AB 758 and related insurance and indemnity issues, Cal/OSHA and safety programs as well as claims handling for general liability and workers compensation. Educating clients on how to reduce operating costs and exposures to loss is central to Mr. Wick's work. Understanding the importance of safety program implementation and follow-up, as well as risk management applications to reduce or minimize exposures, are as important as insurance placement. This problem-solving approach is a hallmark of Mr. Wick's role in the construction industry, which has led to his involvement in projects to improve construction risk management such as a joint defense agreement and the CBIA Wrap booklet.

Mr. Wick currently serves as Vice President of Risk Management for the California Professional Association of Specialty Contractors (CALPASC), an association of 500 specialty contractors and suppliers for the construction industry in California. Additionally, he sits on several Cal/OSHA advisory committees and has been instrumental in the area of improved protection against falls on construction sites. Mr. Wick also is a frequent contributor of articles to various publications and trade journals on construction-related issues.

Mr. Wick graduated with a degree in business administration from California State University, San Bernadino.

Wrap-Up Dos and Don'ts

The following list of bad and good practices for both sponsors of and participants in controlled insurance programs (CCIPs and OCIPs, which are often also known as “wrap-ups”) was developed by the panelists in this session over the summer. In preparing this document, there was a substantial consensus on the points by the various panelists but there are some differences of opinion on the nuances of some of them. These differences may or may not be reflected during the panel discussion itself. The practices attributable to a “sponsor” apply whether the CIP sponsor is the owner/developer (OCIP) or a general contractor/construction manager (CCIP). Those attributable to participants apply to all the contractors enrolled in the CIP (e.g., general contractor and subcontractors).

| Preconstruction Phase—Sponsor | | | |
|-------------------------------|---|--|-------|
| # | Don't! | Do! | Notes |
| 1. | Depend on a rudimentary budget to make important decisions and plans. | Start with a thorough budgeting process that includes construction values by CSI division or trade and historical (if available) unburdened labor cost details to enhance your ability to get the project underwritten and forecast insurance program costs. | |
| 2. | Select a CIP agent/broker consultant based on nothing more than a CIP pro forma developed by the agent/broker consultant and the proposed broker fee. | Choose the broker through a selection process that identifies the agent/broker's qualifications, experience (e.g., setting up administrative procedures, communications with the participants, and closing out programs), the technology that the broker uses to manage CIPs, etc. | |
| 3. | Allow the CIP administrator to fail to perform due diligence ahead of time and provide you with practical advice on the program. | Make certain the administrator has a clear understanding of all phases of the construction process and a good approach to communicating with you. | |

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Preconstruction Phase—Sponsor (cont.)

| # | Don't! | Do! | Notes |
|----|---|---|-------|
| 4. | Fail to define the duties of administrators or to hold them accountable. | Provide detailed specifications of duties, including a timetable for executing them, in the CIP manual and in a separate document provided to the administrator's personnel. | |
| 5. | Assume that all wrap-ups, OCIPs, and CCIPS are the same. | Understand that state laws and regulations vary significantly, and these programs must be tailored to fit them as well as any regional differences. | |
| 6. | Fail to provide adequate time to thoroughly understand, design, place, set up, and explain and fine-tune the protocols prior to construction. | Allow up to 6 months to establish a team approach, educate the parties on doing wrap-ups right, build a constructive culture for the program/project, establish expectations of all parties, develop communication tools, communication flow, reporting structure, and timelines that measure the program's progress and success. | |
| 7. | Fail to become fully educated on the wrap-up process, including the adjustments needed to the project's individual job functions. | Obtain the knowledge needed to assure a quality feasibility study is performed, set up a superior review and bidding process, and be prepared to respond to needed changes. | |
| 8. | Fail to include the construction team throughout the entire process. | Get buy-in on goals and procedures from all parties involved (including risk management, legal, estimating, purchasing, site operations, and accounting) by obtaining their input as early as possible in the process. | |

Preconstruction Phase—Sponsor (cont.)

| # | Don't! | Do! | Notes |
|-----|--|---|-------|
| 9. | Fail to involve contractors/subs in purchasing decision, project scheduling, etc. | Involve subcontractors in wrap purchasing decision, project scheduling, etc., to assure important nuances are not missed and get buy-in from them. | |
| 10. | Fail to consider other project risks and their coverage solutions, such as contractor's pollution liability, professional liability, and builders risk when exploring a CIP. | Carefully identify and assess the project risks and arrange a program with customized coverages that integrate or "dovetail" with one another, avoiding gaps and coverage overlaps. | |
| 11. | Leave workers compensation coverage out of the CIP. | Include workers compensation in the CIP. | |
| 12. | Provide an insurance coverage scope less broad than is likely carried by the largest contractor in the CIP. | Broad coverage terms should be negotiated by the sponsor, which will adequately protect all the parties and maximize the premium credits provided by the contractors. | |
| 13. | Purchase inadequate limits to protect all insureds. | Choose the limits to place with a true understanding that they are shared between all (possibly more than 100) "insureds" and are likely to be the sole funding source for most of the contractors. | |
| 14. | Allow inadequate umbrella liability limits to reduce the premium credits contractors should provide. | Use high umbrella limits with at least one reinstatement of limits to justify a credit of umbrella liability insurance premium. | |
| 15. | Provide for an inadequate completed operations coverage extension. | Assure that the completed operation coverage runs through the statute of repose for the state(s) in which the project is constructed to justify the premium credits expected in bids. | |

Preconstruction Phase—Sponsor (cont.)

| # | Don't! | Do! | Notes |
|-----|---|---|-------|
| 16. | Purchase inadequate limits or coverage for the builders risk policy or provide incomplete disclosure or policy limits and sublimits in the bid documents. | Clearly identify the limits, sublimits, and deductibles applicable under the builders risk policy. | |
| 17. | Ignore the actual claim experience of participants when making the wrap-up purchasing decision. | Solicit claim history data from participants to guide wrap-up design and purchasing decision. | |
| 18. | Overlook the fact that many preconstruction services are involved in preparing the project and actual construction activities may take place before inception of the CIP. | Arrange the CIP liability policies such that they have “nose” coverage that goes back to the first day exposure occurs. | |

Preconstruction Phase—Participant

| # | Don't! | Do! | Notes |
|-----|---|--|-------|
| 19. | Fail to provide accurate budget forecasts, including payroll. | Thoroughly identify budget components. | |
| 20. | Fail (as a CM or GC) to get involved in the decisions concerning the CIP or project scheduling simply because you don't like CIPs or lost out on doing a CCIP to an OCIP. | Get involved early as the CM or GC and become part of the team that makes the important decisions instead of complaining or adopting a victim mentality. | |
| 21. | Assume that all brokers/agents are knowledgeable regarding construction insurance. | Make certain your broker/agent is knowledgeable on construction insurance, has carefully coordinated your coverage with the CIP, and has communicated any potential problems to you. | |
| 22. | Provide insufficient bids/proposals. | Provide thorough and accurate bids and proposals and be prepared to explain your numbers. | |

Preconstruction Phase—Participant (cont.)

| # | Don't! | Do! | Notes |
|-----|--|--|-------|
| 23. | Fail to provide loss experience data to the sponsor for use in wrap insurance purchasing. | Provide accurate loss experience data to the sponsor for use in wrap purchasing. | |
| 24. | Purchase a liability only CIP that includes a coverage gap with respect to the excess employer's liability exposure. | Make sure the CIP umbrella provides excess EL coverage. | |
| 25. | Overlook the non-CIP coverages when designing the CIP insurance program. | Give extra attention to identifying and assuring adequate coverage for any exposures not covered by the policies provided by the sponsor, determine how they will be handled, and what, if any, premium charge should be built into the bid to cover them. | |

Bidding Phase—Sponsor

| # | Don't! | Do! | Notes |
|-----|---|--|-------|
| 26. | Underestimate the value of a detailed, clear, and coordinated bid specification and CIP manual. | Assure that the administrator provides a very clear and detailed CIP manual in time for the participants to review during the bidding process and that the bid specifications and manual are consistent with each other. If this is accomplished, incorporate the CIP manual as a contract document. | |
| 27. | Leave detailed information about the OCIP out of pre-bid packets. | Provide as thorough a description of the CIP coverage and other details (e.g., the manual, contract language, and insurance policies) as possible within the bid specifications. Include the OCIP manager and applicable written information in all pre-bid meetings. | |

Bidding Phase—Sponsor (cont.)

| # | Don't! | Do! | Notes |
|-----|--|--|-------|
| 28. | Require contractors to “warrant by submitting a bid” that they have “reviewed, analyzed, and agree with” the content of documents (e.g., policies or OCIP manuals) they have not been provided a sufficient opportunity to review. | Use this language only if these documents have been provided for review well in advance of the bidding deadline. | |
| 29. | Require the contractors to indemnify the CIP administrator or name the administrator as an additional insured. | The sponsor should be responsible for the acts of the CIP administrator. | |
| 30. | Require a builders risk cost on the insurance cost work sheet for each tier of contractor. | Require a builders risk cost from the GC or CM only if the GC or CM will be required by the contract to provide the builders risk insurance. | |
| 31. | Choose the wrong method of extracting insurance costs from bids (or mix different methods on the same project). | Understand all of the options and work with the construction team to select the most effective approach for the project, taking into consideration other construction work in the community, any public bid laws and regulatory requirements. Include the chosen method in the CIP manual. | |
| 32. | Require bid credits rather than net bidding. | Use net bidding. | |
| 33. | Require the contractors to complete an insurance cost work sheet that mandates a 10–15 percent overhead and profit markup on all of the insurance required (WC, GL, excess, and BR). | Consider the contractors’ administrative effort required by the CIP, as well as the current construction market and bidding environment in the region, when determining the appropriate overhead markup, if any. | |

Bidding Phase—Sponsor (cont.)

| # | Don't! | Do! | Notes |
|-----|--|--|-------|
| 34. | Require contractors to be responsible for inordinately high deductibles, penalties, or fines when claims occur. | Determine what deductible, if any, is reasonable for the general contractor and subcontractors of all tiers, would not cause contractors to add cost into their bids to compensate for expected deductible payments, and would not violate any state limitations on CIP deductibles. | |
| 35. | Assess fines on contractors for failing to return injured workers released to modified duty to work. | Discuss the concept of modified duty with the CIP safety and claims personnel as well as the construction management team to determine the best structure to address the issue and what tools might be made available to facilitate the process. | |
| 36. | Use bid approaches and instructions that counteract CIP goals and objectives. | Assure bidding approaches and instructions match with sponsor goals with regard to safety, claims, and CIP administration. | |
| 37. | Require indemnification from participants for claims the CIP should cover. | Alter contracts to eliminate contractual indemnity for claims the CIP policies should cover. | |
| 38. | Ignore past loss experience or safety records of contractors when prequalifying contractors. | Understand that the “low bid” participant may not be the “low cost” participant and use risk management measures—claim history, warranty history, safety record—to prequalify contractors for the project. | |
| 39. | Be less than candid about an intention to use a CIP on a project (e.g., simply reserving the option for a later date). | Disclose the intent and outline the terms and conditions of the CIP from the beginning. | |

Bidding Phase—Participant

| # | Don't! | Do! | Notes |
|-----|---|--|-------|
| 40. | Fail to properly identify insurance costs or misunderstand bidding for CIP project. | Include requested OCIP or CCIP information for bidding. | |
| 41. | Bid blindly on a project that will be covered under a CIP. | Ask to see all documents related to insurance, safety, claims, change orders, progress payments, retainage, etc., review them carefully, question any inconsistencies, and ask for clarifications. | |
| 42. | Fail to read contracts and CIP documents to understand risks being assumed and assure that they are consistent. | Read contracts and CIP documents thoroughly to understand the risks, identify problematic inconsistencies, and determine the true costs of the project when bidding. | |
| 43. | Simply accept fines, deductibles, and fees without adequately accounting for them in your price. | Work with your broker to review all of these deductibles and fines and develop a strategy to protect against or be compensated for these potential claim issues. | |
| 44. | Assume insurance is someone else's responsibility, or that "my broker will take care of that." | Review every single wrap-up to make sure all coverage gaps are addressed. | |
| 45. | Hide insurance costs in your bid when asked to submit a bid net of insurance. | Submit true net of insurance bid when asked. | |
| 46. | Allow flat umbrella premium charges to make you less competitive. | Discuss with your underwriters ways to get umbrella premium credits for projects insured under CIPs. | |
| 47. | Lose bids from improper credit calculation or playing games with credits. | Take the time to determine how credits should be developed, but without overlooking the cost of filling coverage gaps. | |
| 48. | Allow a mind-set of "all CIPs are created evil" to cause you to lose jobs or damage your profitability. | Review CIPs with an open mind, consider the pros and cons, press the issues, and then make a decision. | |

Construction Phase—Sponsor

| # | Don't! | Do! | Notes |
|-----|---|--|-------|
| 49. | Fail to properly monitor the progress of payroll reporting and changes in contract values. | Conduct regular meetings with GCs and major subs to enhance information reporting. | |
| 50. | Deny enrolled contractors access to timely loss information or claims adjusters. | Provide periodic loss reports whether requested by the contractors or not and proactively involve contractors in the claims process. | |
| 51. | Deny enrolled contractors copies of the primary and excess liability policies. | Provide “premium scrubbed” copies of the liability policies to all enrolled contractors (after all, they are “named insureds”). | |
| 52. | Curtail communication with inadequate meetings. | Utilize an experienced facilitator to conduct regular meetings with set agendas covering claims/ safety/construction operations. | |
| 53. | Allow contractors on the project without being enrolled. | Develop mechanisms to assure paperwork (enrollment, etc.) is completed in a timely and organized fashion and that no contractors are allowed on site without being enrolled. | |
| 54. | Fail to monitor participants’ work. | Closely monitor participants’ work. | |
| 55. | Allow claims to be delayed or mismanaged. | Assure that claims are resolved quickly without pitting participants against each other. | |
| 56. | Make the results of premium audits a one-way affair that can only work to the detriment of contractors. | Consistently and fairly handle premium adjustments arising from audits whether there is a resulting premium credit or debit. | |

Construction Phase—Participant

| # | Don't! | Do! | Notes |
|-----|---|---|-------|
| 57. | Fail to understand reporting needs. | Organize accounting to provide accurate and timely payroll information to CIP administrators. | |
| 58. | Fail to submit enrollment paperwork. | Properly and promptly submit enrollment paperwork and request acknowledgment of enrollment from the administrator if not received. | |
| 59. | Fail to obtain copies of the liability policies if they are not automatically provided. | Obtain copies of all of the policies, review them with your agent or broker, and retain them indefinitely. | |
| 60. | Fail to become involved in the claims process. | Insert your firm's claim personnel or risk manager into the claims process in a constructive manner (e.g., request an invitation to participate in periodic claim reviews). | |
| 61. | Delay reporting payroll or contract values to the CIP agent, broker, consultant or administrator. | Stay on top of all reporting requirements and assure reports are provided accurately and in a timely manner. | |
| 62. | Overlook the CIP's effects on your experience rating modification, calculation. | Check with the CIP agent, broker, consultant, or administrator to assure that timely and accurate filings are made to the rating authority by the CIP insurance company. | |
| 63. | Ignore required CIP administration procedures. | Press the sponsor to have regular meetings, and make sure that you follow the responsibilities as outlined in the CIP manual. | |
| 64. | Perform shoddy construction. | Perform quality work and in accordance with project documents as agreed to in your contract. | |

Construction Phase—Participant (cont.)

| # | Don't! | Do! | Notes |
|-----|---|---|-------|
| 65. | Fail to correct defective work on a timely basis. | Quickly correct any defective work. | |
| 66. | Neglect safety. | Enforce a viable and effective project-specific safety program. | |
| 67. | Ignore or resist a sponsor's attempt to establish a return-to-work program. | Cooperate on the return-to-work program with support from the sponsor who is gaining the benefit. | |
| 68. | Remain uninvolved in the CIP process until a claim arises. | Work as a team member, ask for bonuses in the event of lower losses, and make construction recommendations on correcting problems and deficiencies. | |
| 69. | Fail to report claims promptly. | Report any injury, accident, or event that may lead to claims within 24 hours of the occurrence. | |

Post-Construction Phase—Sponsor

| # | Don't! | Do! | Notes |
|-----|--|---|-------|
| 70. | Fail to provide organized and fair closeout procedures. | Understand the mechanics of closing out contracts, the project as a whole, and the applicable risk finance plan and work with construction finance to ensure that everything is accomplished in a timely fashion. | |
| 71. | Leave contractors in the dark about closeout. | Proactively communicate with contractors to explain the process, approach for punch list work, completed operations coverage applicability, etc. | |
| 72. | Overlook liability exposures arising from the need of a contractor to return to the project. | Arrange the liability insurance to cover warranty and punch list work. | |

Post-Construction Phase—Sponsor (cont.)

| # | Don't! | Do! | Notes |
|-----|--|---|-------|
| 73. | Aggressively pursue collection of huge deductible or SIR contributions. | Avoid infighting and preserve “united defense” approach to defense of claims by not pursuing collection of huge SIR/deductible contributions. | |
| 74. | Fail to respond to warranty claims in a timely manner. | Involve participants early in warranty/defect claims. | |
| 75. | Allow limits to be unnecessarily depleted from delays in quickly settling defect claims. | Resolve defect claims quickly and fairly. | |

Post-Construction Phase—Participant

| # | Don't! | Do! | Notes |
|-----|---|--|-------|
| 76. | Fail to understand the reporting process. | Consult with CIP managers well in advance of closeout to understand reporting requirements for closeout of CIP. | |
| 77. | Fail to provide access to payroll records for the CIP's sponsor's representative. | Allow the sponsor's representative access to your exposure data (contract value, payrolls, etc.) and make certain the correct values have been reported. | |
| 78. | Delay reporting incidents and claims. | Report incidents and claims promptly to assure they are investigated and handled as well as possible. | |
| 79. | Become uninvolved with claims. | Continue to stay actively involved in the strategy to close the claim. | |
| 80. | Assume that insurance covers faulty workmanship. | Review and understand the policies as well as the current position of the applicable state's courts on construction defect coverage. | |

Post-Construction Phase—Participant (cont.)

| # | Don't! | Do! | Notes |
|-----|---|--|-------|
| 81. | Provide insufficient information/ records when claims arise. | Keep detailed project records for use in defending claims. | |
| 82. | Fail to properly follow up on the punch list and warranty work. | Quickly and comprehensively follow up on the punch list and warranty work. | |

All Phases—Sponsor

| # | Don't! | Do! | Notes |
|-----|---|---|-------|
| 83. | Abdicate responsibility for replacing coverage in the event of cancellation, reduction of limits, or insolvency of the CIP insurer. | Take responsibility for replacing coverage in the event of cancellation, reduction of limits, or insolvency of the insurer. | |

Notes

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