

# TABLE OF CONTENTS

<b>Preface . . . . .</b>	<b>xiii</b>	Manufacturing or Plant Operations . . . . .	10
What’s New in the Fifth Edition . . . . .	xiv	Residential . . . . .	10
Acknowledgments . . . . .	xvii	International Wrap-Up . . . . .	10
In Memory of Gary E. Bird . . . . .	xix	Other Applications of CIPs . . . . .	11
About the Authors . . . . .	xxi	Design Professional Liability . . . . .	11
Quick Start . . . . .	xxiii	Environmental Liability . . . . .	12
Chapter Organization and Topics . . . . .	xxiv	Subcontractor Default Insurance . . . . .	12
Appendix Items by Topic . . . . .	xxv	Potential CIP Benefits . . . . .	12
Practical Uses for <i>The Wrap-Up Guide</i> . . . . .	xxvii	Uniform, Tailored Coverage . . . . .	12
<b>Chapter 1: Introduction to CIP: A Construction Risk Financing Concept and More . . . . .</b>	<b>1</b>	Potential for Adequate Limits . . . . .	12
A Short History of CIP . . . . .	2	Solution to the Coverage Availability Issue . . . . .	13
Traditional versus CIP . . . . .	3	Possible Cost Reduction . . . . .	13
Risk Financing Responsibility: Traditional . . . . .	3	Reduced Litigation . . . . .	14
Coverage Reliance: Traditional . . . . .	4	Third Parties Not Involved in the Project . . . . .	14
Coverage Coordination: Traditional . . . . .	5	Possible Reduction of Claims between CIP Participants . . . . .	14
Coverage Purchase Responsibility: Traditional . . . . .	5	Insurer Subrogation . . . . .	15
Risk Financing Responsibility: CIP . . . . .	5	Coverage Certainty . . . . .	16
Coverage Reliance: CIP . . . . .	5	Certain Scope of Coverage . . . . .	16
Coverage Coordination: CIP . . . . .	6	Coverage Secured for Exposure Duration . . . . .	16
Coverage Purchase Responsibility: CIP . . . . .	6	Market Availability . . . . .	16
Other Project Coverages . . . . .	8	Safety Enhancement . . . . .	17
Participants in a CIP . . . . .	8	Disadvantaged Business Enterprise Opportunity . . . . .	17
Excluded Parties . . . . .	8	Potential CIP Issues . . . . .	18
Uses of CIPs . . . . .	9	Poor Management . . . . .	18
Commercial Construction . . . . .	10	Conflicts of Interest . . . . .	18
Infrastructure . . . . .	10	Cost Recognition . . . . .	18
		Program Closeout and Ending Coverage . . . . .	19

Issues for Participants . . . . . 19

Risk Allocation/Insurance Purchase

    Imbalance . . . . . 20

Bid Complication . . . . . 21

Premium Volume Reduction . . . . . 21

Direct and Indirect Costs . . . . . 21

Additional Administrative

    Procedures . . . . . 21

Coordination of Coverage . . . . . 21

Claims Management Problems . . . . . 22

Issues with Experience Modifiers . . . . . 23

Risk Control Program Changes . . . . . 23

Loss Information . . . . . 23

Payment Delay . . . . . 23

Deductibles or Fines. . . . . 23

**Chapter 2: Feasibility . . . . . 25**

Feasibility Study Defined . . . . . 25

    Terminology . . . . . 26

    Who Prepares the Feasibility Study? . 26

    When To Prepare a Feasibility Study. 27

Nonfinancial and Financial

    Considerations . . . . . 28

    Nonfinancial Analysis. . . . . 28

        Regulatory and

            Legal Requirements . . . . . 28

        Minimum Project Size . . . . . 30

        Limited Number of Sites . . . . . 32

        Sites, Locations, or Operations . . . . . 32

        Multiple Contractors. . . . . 32

        Duration . . . . . 33

        Control . . . . . 33

        Sponsor Motivation, Ability, and

            Commitment. . . . . 35

        Risk Identification and Assessment. 39

        Ability To Effect

            Contractual Risk Transfer . . . . . 40

            Availability of Coverage . . . . . 40

        Financial Analysis: Pro Forma . . . . . 41

Construction Hard Cost . . . . . 41

Unburdened Payroll. . . . . 42

Contractor Insurance Cost . . . . . 43

CIP Costs . . . . . 43

Projecting the CIP Financial Result, or

    Savings . . . . . 45

Risk Financing Options. . . . . 45

CIP Cash Flow and Financial

    Management. . . . . 46

    Pro Forma Caveats . . . . . 46

Feasibility Method and

    Report Structure . . . . . 47

Additional Thoughts on

    Feasibility Analysis. . . . . 49

**Chapter 3: Preparation . . . 51**

Preimplementation: Introduction . . . . . 51

Preimplementation: Five-Item Checklist .53

    Select CIP Team and

        Assign Responsibilities . . . . . 54

    Sponsor . . . . . 54

    CIP Broker, CIP Administrator,

        CIP Broker/Administrator . . . . . 54

    Project Owner (CCIP). . . . . 61

    General Contractor (OCIP) . . . . . 61

    Contractor-Participants . . . . . 61

    CIP Insurer . . . . . 64

    Consultants and

        Other Service Providers . . . . . 64

    CIP Manager . . . . . 65

    Outside Consultant(s), If Needed. . . 65

    CIP Broker and Administrator . . . . . 67

Develop a CIP Implementation Work

    Plan. . . . . 72

    Internal Work Plan . . . . . 72

    Internal and External Work Plan . . . 72

Make Decisions about the

    Safety Program. . . . . 73

    Controlling Contractor . . . . . 74

CIP Contract Provisions . . . . .	74	If Contractor Insurance Cost Is Included in the Bid Price, When and How Will It Be Deducted? . . . . .	96
Site-Specific Safety Plan . . . . .	75	Will the Sponsor Track Excluded or Deducted Contractor Insurance Cost? . . . . .	98
Qualified Safety Resources . . . . .	75	Contractor Insurance Cost Identification, Tracking, and Closeout Adjustment . . . . .	98
Safety Roles and Responsibilities . . .	75	How Is Contractor Insurance Cost Defined? . . . . .	99
Contractor Selection and Prequalification . . . . .	75	Insurance Cost Defined as “What the Participating Contractor Has Included” . . . . .	101
Underwriting Considerations and Requirements . . . . .	76	Insurance Cost Defined as “What the Participating Contractor Would Have <i>Paid</i> ” . . .	102
Make Decisions about CIP Administration Procedures . . . . .	77	Insurance Cost Defined as “a Negotiated Amount” . . . . .	103
Contractor Insurance Cost, Identification, Tracking, and Closeout Adjustment . . . . .	78	Insurance Cost Defined as “an Assigned Amount” . . . . .	104
Contractor Deductible Contributions and Fine Assessments . . . . .	79	Compare the Two Primary Approaches To Define Contractor Insurance Cost . . . . .	105
Claims Reporting and Management . . . . .	80	Will Change Order Quotations Exclude or Include Contractor Insurance Cost? . . . . .	106
Participant Insurance Requirements . . . . .	81	Will There Be an Adjustment to the Initial Contractor Insurance Cost Based on Reported or Audited Payroll and/or Final Contract Value? . . . .	107
CIP Documents . . . . .	81	Closeout Adjustments and Calculations . . . . .	107
CIP Information Management . . . . .	82	Change Order Labor Rates . . . . .	109
Other Administrative Considerations . . . . .	82	Overhead and Profit . . . . .	110
Make Decisions about Program Structure and Coverage . . . . .	84	Special Considerations . . . . .	110
<b>Chapter 4: Contractor Insurance Cost . . . . .</b>	<b>85</b>	What Policy and Rate Documentation Are Required To Validate Contractor Insurance Cost? . . . . .	111
Seven Key Considerations . . . . .	85		
Will Bids Exclude or Include Contractor Insurance Cost for Coverage Provided by the CIP? . . . . .	86		
Net Bid Approach . . . . .	86		
Gross Bid Approach . . . . .	88		
Options by Bid Type . . . . .	88		
Choosing between Net and Gross Base Bid Options . . . . .	93		

**Chapter 5: Structuring and Marketing a CIP . . . . . 115**

Structuring a CIP . . . . . 115

    The Partnership Approach. . . . . 115

    Participant Input. . . . . 116

    Look First to Insurance . . . . . 117

    Dispute Resolution Process . . . . . 118

    Joint Defense . . . . . 118

    Program Design . . . . . 119

    Combined-Line Programs . . . . . 119

    Monoline Programs . . . . . 120

Covered Parties. . . . . 120

    Underwriter Restrictions . . . . . 121

    Sponsor Discretion. . . . . 121

Underwriter Program Participation

    Requirements . . . . . 122

    Loss Experience . . . . . 122

    Insurance Requirements. . . . . 122

    Waivers . . . . . 122

Rating and Financing Structure . . . . . 122

    Financing Options:

        Combined-Line. . . . . 122

        Financing Options: Monoline . . . . . 126

        Captive . . . . . 126

        Cash Flow . . . . . 126

        Audits . . . . . 127

Cost Allocation. . . . . 127

    Who Pays Premiums?. . . . . 127

    Who Pays Deductibles or SIR? . . . . . 127

    Project and Site Description . . . . . 128

    Coverage Term . . . . . 131

    Ending CIP Coverage. . . . . 133

    Closeout Arrangements . . . . . 134

Marketing a CIP . . . . . 135

    Marketing Process . . . . . 135

    Sponsor Participation. . . . . 135

    The Underwriting Submission. . . . . 136

    Presentations and Site Visits . . . . . 138

    Insurer Target Markets. . . . . 139

Insurer Capabilities . . . . . 139

Insurers for Maintenance CIPs. . . . . 140

**Chapter 6: CGL and Excess Liability Coverages . . . . . 141**

Commercial General Liability . . . . . 142

    Insureds . . . . . 142

        First Named Insureds . . . . . 142

        Named Insureds. . . . . 143

        Additional Insureds . . . . . 144

    Participant Insured Status in a CIP. . . . . 144

    Cross-Liability Coverage . . . . . 146

    Excluded Parties . . . . . 147

    Contractually Assumed Liability

        Coverage. . . . . 147

    Property Damage Liability. . . . . 148

    Designated Premises . . . . . 150

    Products Liability. . . . . 151

    Completed Operations . . . . . 151

    XCU Coverage. . . . . 153

    Priority of Coverage . . . . . 154

    Joint Defense Agreements . . . . . 154

    Sole Agent Endorsements. . . . . 156

    Modified Notice Endorsements . . . . . 157

    Cancellation . . . . . 158

    Warranty and Repair Work

        Extension . . . . . 158

Excess Liability . . . . . 159

    Form Type . . . . . 159

    Pay on Behalf. . . . . 162

    Policy Term . . . . . 162

    Completed Operations

        Extension . . . . . 162

    Exclusions To Avoid. . . . . 162

        “Contractors Limitation”

            Endorsements . . . . . 162

        Cross-Liability Exclusions. . . . . 162

        Residential Exclusions. . . . . 162

Property Damage to Your Work  
 (Exclusion I) . . . . . 163  
 Limits . . . . . 163  
 CGL and Excess Liability . . . . . 163  
 Per Project Aggregate . . . . . 164  
 Defense Costs . . . . . 165

**Chapter 7: Workers  
 Compensation and Other  
 Project Coverages . . . . . 167**

Workers Compensation and Employers  
 Liability . . . . . 168  
 Subrogation Waiver . . . . . 169  
 Coverage Extensions . . . . . 169  
 Other States Coverage . . . . . 169  
 Stop Gap Coverage . . . . . 169  
 Federal and Maritime Coverages . . 169  
 Project-Specific Coverage  
 Not Part of a CIP . . . . . 170  
 Builders Risk . . . . . 171  
 Professional Liability . . . . . 172  
 Pollution Liability . . . . . 173  
 Other Possible  
 Project-Specific Coverage . . . . . 174  
 Railroad Protective Liability . . . . . 174  
 Aircraft Liability  
 (Including Drones) . . . . . 175  
 Default Insurance . . . . . 175  
 Special Considerations for Maintenance  
 Wrap-Ups . . . . . 176  
 Design and Placement of  
 Insurance . . . . . 177  
 General Provisions and  
 Considerations . . . . . 177  
 Commercial General Liability . . . . 178  
 Workers Compensation and Employers  
 Liability . . . . . 181  
 Property and Builders Risk . . . . . 182  
 Ending a Maintenance Wrap-Up . . . 182

**Chapter 8:  
 Implementation . . . . . 185**

Program Setup . . . . . 185  
 Bind and Implement Program . . . . . 186  
 Revisit CIP Goals, Statutes, and  
 Administrative Success Factors . . . . 187  
 Draft and Finalize CIP Documents . 187  
 Safety Documents . . . . . 187  
 CIP Contract Language . . . . . 189  
 CIP Manual or CIP Procedure  
 Manual . . . . . 191  
 CIP Administration Forms . . . . . 192  
 Claims Management Documents  
 and Forms . . . . . 196  
 Bid Documents . . . . . 197  
 Proposal or Bid Forms . . . . . 198  
 CIP Insurance Policies . . . . . 198  
 Document Control . . . . . 199  
 Finalize Safety Personnel and  
 Processes . . . . . 200  
 Finalize Claims Management  
 Processes . . . . . 202  
 Set Up Website System or Portal,  
 If Applicable . . . . . 205  
 Kickoff Meetings . . . . . 205  
 Construction Prebid and Bidding . . . 205

**Chapter 9: Operation . . . . 209**

Contract Award through  
 Work Completion . . . . . 209  
 Preconstruction Meetings . . . . . 209  
 Gatekeeping . . . . . 211  
 Eligibility . . . . . 211  
 Enrollment . . . . . 212  
 Ensuring Timely Enrollment . . . . . 212  
 Enrollment Effective Date . . . . . 215  
 Executed or Written Contract  
 Requirement for Enrollment . . . . . 218

Insurer Enrollment Requirements . . . . .	218	Oppressive Deductible/SIR	
Miscellaneous Enrollment Issues . . . . .	218	Contribution Obligations . . . . .	244
Insurance Cost Calculation		Sponsor's Failure To Understand	
Review and Verification . . . . .	222	Responsibility for Loss Costs . . . . .	245
Evidence of Insurance—CIP . . . . .	222	Poor Vetting and Selection of Service	
Evidence of Insurance—Non-CIP . . . . .	223	Providers . . . . .	246
Payroll Reporting . . . . .	224	Motivation Problems . . . . .	246
Miscellaneous CIP		Lack of Commitment to the CIP . . . . .	247
Administration . . . . .	224	Failure To Make Safety a Priority . . . . .	247
Audits . . . . .	226	Failure To Look First	
Reporting . . . . .	226	to Insurance . . . . .	248
Claims Management . . . . .	227	Coverage Problems . . . . .	248
Closeout and Ending Coverage . . . . .	229	Coverage for Completed	
Closeout . . . . .	230	Operations . . . . .	248
Contract Closeout . . . . .	231	CIP Cancellation and	
Program or Project Closeout . . . . .	231	Completed Operations . . . . .	249
Ending Coverage . . . . .	234	Owner Completed Operations	
Rolling CIPs . . . . .	236	Coverage Gap . . . . .	250
Project Enrollment . . . . .	236	Coordinating Property and Liability	
Program End and Audit . . . . .	236	Coverage . . . . .	250
Completed Operations . . . . .	237	Off-Site Exposures . . . . .	251
Maintenance Wrap-Up Program		CGL Defense within Limits . . . . .	252
Considerations . . . . .	237	Cross Suits Exclusions . . . . .	253
Plant Management . . . . .	239	Cancellation . . . . .	253
Plant Controllers . . . . .	239	Process Problems . . . . .	254
Plant Engineers and Project		Enrollment . . . . .	254
Managers . . . . .	240	Documents . . . . .	255
Contract Administrators . . . . .	240	Problems with Service Providers . . . . .	256
Plant Safety Personnel . . . . .	240	Changing Service Providers during the	
Plant Security Personnel . . . . .	241	CIP . . . . .	257
Other Parties . . . . .	241	Delays in Project Completion . . . . .	257
Conclusion . . . . .	241	Failure To Have a Conflict Resolution	
		Process . . . . .	258
<b>Chapter 10: Almost True</b>		"Gaming" . . . . .	258
<b>Stories . . . . .</b>	<b>243</b>	Fraudulent Workers Compensation	
Cost-Related Issues . . . . .	243	Claims . . . . .	258
Overstated Financial		Using a Minimum "Threshold" for	
Projections . . . . .	243	Contractor Insurance Costs . . . . .	259
		Delaying CIP Implementation . . . . .	260
		Sabotage or Rule Breaking . . . . .	261

**Chapter 11: Participation . 263**

Contractor-Participants: Insurance  
 Purchase—  
 Control and Reliance . . . . . 263  
 Non-CIP Insurance Review . . . . . 265  
     Workers Compensation: Designated  
     Workplaces Exclusion  
     Endorsement . . . . . 265  
     Workers Compensation: Experience  
     Modifiers . . . . . 266  
 Commercial General Liability (CGL):  
     CIP “Exclusion” Endorsements in  
     CGL Policies . . . . . 266  
     Umbrella and Excess Liability . . . . . 271  
     Policy Audits and CIP . . . . . 273  
 CIP Review and Evaluation . . . . . 273  
     CIP Potential Advantages and  
     Disadvantages . . . . . 274  
     Pay Attention to  
     CIP Eligibility Issues . . . . . 274  
     Evaluate the CIP Sponsor’s Motivation,  
     Experience, and Financial  
     Viability . . . . . 274  
     Identify and Measure (Estimate)  
     Project Risks . . . . . 277  
     Analyze and Understand CIP  
     Documents . . . . . 278  
     Conduct a CIP Program Review . . 279  
 Mitigation Techniques—  
     CIP Risk and Administrative  
     Burden . . . . . 299  
     Managing Involvement  
     in Multiple CIPs . . . . . 300  
 Other Participants . . . . . 301  
     Contractor-Participant Agents  
     and Brokers . . . . . 301  
     CIP Brokers and Administrators . . 301  
     Insurers . . . . . 302  
 Afterword . . . . . 303

**Appendixes . . . . . 305**

**Appendix A:** Example Potential CIP Cost  
 Checklist . . . . . 307  
**Appendix B:** Example CIP Feasibility  
 Topics Outline . . . . . 311  
**Appendix C:** Example CIP  
 Project Survey . . . . . 313  
**Appendix D:** State-Specific Wrap-Up  
 Information (Available Online Only) . . 319  
**Appendix E:** Contract Addendum  
 Example and Sample Language . . . . . 321  
**Appendix F:** Example CIP Broker/  
 Administrator Request for  
 Proposal (RFP) Checklist . . . . . 337  
**Appendix G:** Example Sponsor CIP  
 Preimplementation Checklist . . . . . 343  
**Appendix H:** Example CIP General  
 Liability (GL) Insurance Checklist . . . . 351  
**Appendix I:** Example CIP Excess (XS)  
 Liability Insurance Checklist . . . . . 355  
**Appendix J:** Example CIP Workers  
 Compensation and Employers Liability  
 (EL) Insurance Checklist . . . . . 357  
**Appendix K:** Example CIP Manual  
 Checklists . . . . . 359  
**Appendix L:** Example CIP Contractor-  
 Participant Checklist . . . . . 361  
**Appendix M:** Example CIP  
 Information Tracking Checklist . . . . . 375  
**Appendix N:** Common CIP Terms . . . 377  
**Appendix O:** Compare Combined-Line  
 CIP to General Liability-Only CIP . . . 381

**Topical Index . . . . . 385**

