

CONSOLIDATED INSURANCE PROGRAMS

BACKGROUND

Consolidated insurance programs (CIPs) are insurance programs in which a principal, usually an owner or general contractor, provides insurance coverages that are bundled into one insurance program for a single construction project or multiple construction projects. They are also known as WRAPS, OCIPS, CCIPS, and ROCIPS. The program typically provides coverage for each entity on the project, from the general contractor to the subcontractors and their employees, for general liability and workers' compensation. When coverage on a construction project is provided through a CIP, savings are achieved through an economy of scale, and the general contractors and subcontractors are expected or required to lower their bids for the project to reflect the insurance costs they would have included in their bids had the general contractor and subcontractor provided coverage with their own insurance.

PROBLEM

Often, where construction projects are covered by CIPs, subcontractors do not have an opportunity to examine the policy or learn the full extent of coverage provided by the CIP prior to bidding or beginning work on a project. Because of this lack of notice, a contractor or subcontractor does not have enough information to accurately predict the credits, deductibles, and other costs that may be assessed to them, nor do they know what coverage is being provided. For that matter, quite often the general contractor or subcontractor *never* gets a copy of the insurance policy that is providing coverage to the contractor or subcontractor.

SOLUTION

Disclosure: Construction specifications for a construction project that may be covered by a CIP should provide notice that the project may be covered by a CIP. In addition, prior to the execution of a construction contract under a CIP, the persons entering into the contract should be provided written disclosures, which would include the scope of coverage and limits for each policy under the CIP.

Detailed Information on Reverse

Consolidated Insurance Programs - Detailed Information

SOLUTION: Rules should be adopted by the Texas Department of Insurance that would mandate the following:

- Sufficient information should be provided within a reasonable time allowing a person considering submitting a bid or estimated costs involving a construction contract to meaningfully compare the coverages, exclusions, limits, deductibles, credits, and other costs of all insurance under the consolidated insurance program with insurance under the person's own insurance program;
- Information should be provided to a successful bidder prior to entering into a construction contract and within a sufficient time to allow a prudent and businesslike analysis of the following:
 - the conditions, insuring agreement, coverages, exclusions, deductibles and limits of all policies issued or to be issued under the consolidated insurance program, including the claims processing procedures and other administration of the consolidated insurance program and the methods to be used in calculating costs, deductibles, and credits under the consolidated insurance program;
- A contractor upon enrollment in the consolidated insurance program should be provided a copy of each insurance policy under the consolidated insurance program, including any renewal or replacement policy, and if the policy has not been issued, a copy of a binder and related endorsements.