CONSTRUCTION WRAP-UPS FOR THE HEALTH CARE INDUSTRY

BUILDING IN PROTECTION

The health care industry has seen unprecedented construction activity in the past several years. Between 2001 and 2005, hospitals spent in excess of $100 billion on construction. Billions more were spent on senior living facilities. Construction work brings liabilities that health care organizations may not be familiar with, but these risks must be addressed with the same care and thoroughness that care providers bring to their patients.

As the leading Construction Risk Practice in the world, Willis combines construction expertise with the experience of our Health Care Practice to provide unequaled service in answering the risk management needs of health care organizations involved in construction activities. Like health care, construction is a dangerous undertaking. About 1,000 U.S. construction workers died on the job each year for the past 16 years – more fatal injuries than in any other industry, according to the National Institute for Occupational Safety and Health (NIOSH) and the Bureau of Labor Statistics. Third-party injuries are also on the rise. What can be done?

Many project owners and general contractors take advantage of risk management programs known as Controlled Insurance Programs or construction wrap-ups. The programs are specifically designed for owners or general contractors with sizable construction or maintenance projects – valued at $200 million or more – to purchase Workers’ Compensation, General Liability and Excess/Umbrella Liability insurance for all contractors and subcontractors working on a project. The construction wrap-up not only provides a single point of contact for all insurance issues, but also results in a safer job site and, frequently, insurance cost savings.

By partnering with Willis, widely acknowledged as a world leader in construction wrap-ups, you can take advantage of this essential risk management option.
THE FACTS ABOUT WRAP-UPs

WHAT’S INCLUDED
- Workers’ Compensation
- General Liability
- Employer’s Liability
- Excess/Umbrella Liability

WHAT’S OPTIONAL
- Builders Risk
- Environmental Liability
- Asbestos Abatement
- Efficacy, Delay
- Design team Errors & Omissions

WHAT’S NOT INCLUDED
- Auto Liability
- Coverage for vendors and suppliers
- Contractor personal property
- Off-site exposures

WHAT’S THE BOTTOM LINE
- Lower overall construction costs
- Better coverage that ensures all parties have the insurance they need
- A safer work site with uniform standards and coordinated safety procedures
- Proactive claim management that helps injured workers return to productive activity as soon as medically possible

TYPES OF WRAP-UP PROGRAMS
- Traditional: Covers single or multiple sites involving similar work
- Rolling: Applies to multiple sites, ongoing construction projects
- Gatekeeper: For maintenance programs, where contractors are continually on site expanding, maintaining and repairing facilities

WHY A WRAP-UP?

Owners and general contractors are responsible for the safety of construction sites. Wrap-up programs not only deliver more accurate risk assessments, but they also ensure uniform safety standards, coordinated safety programs – such as drug and alcohol testing – and on-site safety monitoring. This emphasis on safety reduces the risk of workers getting injured on the job, resulting in a cut in the total Workers’ Compensation and General Liability premium on a project, which often runs between 1.5% and 4% of the total hard costs of a project. Programs typically also guarantee immediate attention to injuries on site and include early return-to-work programs.
As a health care provider, you have an added opportunity – the potential to offer quality treatment for injured workers at your own occupational medicine department. This can lower cost of risk in several ways.

**EFFICIENT, COMPREHENSIVE COVER**

Many owners would rather leave the insurance purchase to their contractors, but in many cases, the limits contractors buy are insufficient to cover a catastrophic incident on a job site. A good wrap-up program not only ensures the right coverage and limits, but offers additional cost-saving opportunities.

Smart owners will require their contractors to remove insurance premiums from their overall bids because they will cover the entire project with a wrap-up. This helps the owner enjoy the direct financial benefit of favorable loss experience and can also help insurance buyers achieve volume discounts through consolidation.

**MORE CLARITY, LESS CONFUSION**

Wrap-ups prevent coverage gaps or redundancies, reduce underwriting and claims administration expenses and virtually eliminate litigation among contractors. Providing insurance for all contractors also helps level the playing field among competing contractors. This can open up opportunities to use minority or start-up firms that may be unable to meet insurance requirements.

**HOW A WRAP-UP WORKS**

Wrap-up programs are generally administered in three phases.

- **PRE-CONSTRUCTION.** Wrap-ups begin with feasibility studies, as well as checking references of the general and subcontractors. The pre-construction phase also includes:
  - A contract review to ensure maintenance for off-site coverage and compliance with insurance bid reductions
  - A site survey
  - Distribution of procedural manuals to explain day-to-day requirements

- **CONSTRUCTION.** In this phase, the wrap-up team ensures that all contractors are enrolled in the plan. Then comes implementation.
  - A loss control program with regular inspections
  - Collection of monthly payroll forms for the project administrator
  - Claims administration
  - Monthly status reports as well as quarterly and annual financial and summary reports

- **POST-CONSTRUCTION.** Before the program is closed out, payroll audits are conducted and final reports and financial results are delivered to the owner. Retroactive loss adjustments are secured.
A wrap-up is not the answer for every project or sponsor. Our construction specialists have the experience and technical expertise to help health care providers identify the right risk management approach. We then develop construction risk management programs tailored to each health care entity’s specific needs, whether these involve new construction projects, long-term maintenance or multiple small building projects. Acting as your advocate, we help you obtain the best coverage and lower your total cost of risk.

CONTACT

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