

Wrap Up Experts: Contractor Survival Guide Helps Construction Companies and Their Insurance Agents Navigate Wrap-up Bids and Projects

LAKELAND, Fla.--([BUSINESS WIRE](#))--After a decade of helping contractors wrestle with wrap-up insurance programs, Duke Mills, president of WorkComp Solutions, a workers' compensation insurance agency based in Central Florida, has published the "Contractor Survival Guide for Wrap-Ups."

In controlled insurance programs (CIP) or wrap-up insurance programs, the sponsor purchases insurance policies to cover the construction project and asks contractors to back out the costs of general liability, excess/umbrella and workers' compensation insurance on their bids. Insurance agents and wrap-up administrators who market these programs say they offer higher liability limits and reduce cross-contractor litigation, positioning them as an "insurance utopia" for contractors.

Mills and most contractors disagree. The International Risk Management Institute (IRMI) surveyed 600 subcontractors to assess their satisfaction with CIPs and found that only 20 percent like them, 50 percent tolerate them and a good 30 percent hate CIPs.

"Frankly, wrap-ups create a financial Armageddon for many contractors," Mills said.

Confusing documentation, shoddy administration, and unexpected coverage gaps are just a few of the problems. Surprisingly, participating in wrap-ups can result in higher workers' compensation premiums on the contractor's non-wrap insurance policies. As an example, Mills points to a steel erector with a payroll of \$3.5 million that generated a workers' compensation premium of \$1 million. "This company was in a retrospective rating program, which meant they only paid 30 percent of the premium, or \$300,000, plus any claims that occurred during the policy period. If there were no claims, they only paid \$300,000," he said.

Then, the company participated in a wrap-up project, moving \$200,000 of payroll from its traditional workers' compensation policy into the wrap-up. This reduced its payroll to \$3.3 million, and the company's comp premiums went down to \$990,000. "That sounds okay, but what the contractor didn't know was that with its carrier, premiums under \$1 million are subject to an adjustment in the minimum percentage," Mills continued. "Rather than paying 30 percent, they now had to pay 38 percent, which brought their premium up from \$300,000 to \$376,200 -- an additional \$76,200."

Construction companies involved in wrap-ups also face higher administrative costs. They often have to deduct insurance costs using an inequitable worksheet. They are required to maintain duplicate payroll records and are subjected to fines, penalties and deductibles. Additionally, contractors have to undergo audits for each wrap-up project in addition to normal audits of their traditional insurance programs. Other unexpected consequences:

- Delayed and inaccurate audits affecting final payment and incorrect experience modifiers;
- Implementation of additional safety programs that can exceed OSHA guidelines;
- High deductibles – some as high as \$50,000 per claim.

Despite the downside for contractors, there is a growing trend toward wrap-ups on large (\$100 million-plus) construction projects. It is estimated that Florida alone has more than 40 wrap-up projects under construction, including Florida Marlins Stadium in Miami and The Wizarding World of Harry Potter at Universal Studios in Orlando.

"With little to no help from their insurance agents, contractors and subcontractors are at the mercy of wrap-up administrators and are routinely held hostage by confusing wrap-up documents, additional paperwork and unexpected expenses," said Mills.

These and other pitfalls are covered in Mills' 37-page "Contractor Survival Guide for Wrap-Ups." The easy-to-read guide cites real company experiences, offers concise definitions and explanations, valuable forms and flow charts, and "killer tips" to help contractors protect their profits from bid errors and audit overpayments. The colorful, useful manual selling for \$995, including telephonic support and monthly killer tips, can be purchased via www.wrapupexperts.com or by calling 863-646-4642.

While end-users are contractors, insurance agents can use the guide to help clients maneuver the intricacies of wrap-ups. Mills' company has also launched a Wrap-Up Experts consulting division to help insurance agents use the guide to educate their clients on the financial consequences of these insurance programs.

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