

# **WRAP PROGRAM UNDERWRITING GUIDELINES**

## **GENERAL DESCRIPTION OF THE WRAP PROGRAM**

A single wrap policy was designed to afford coverage for all of the contractors that are involved in a project, subject to certain qualifying guidelines. Applications for coverage come by way of the Sponsor or Organizer (developer or general contractor) of the project. The Sponsor or Organizer has the status of a named insured. Licensed subcontractors will automatically be added to the policy as an insured if enrolled in the project by the named insured, except for architects, engineers or surveyors that are required to complete a supplemental application for approval by an underwriter.

Some of the characteristics of the wrap program are as follows:

- Coverage is currently restricted to a single project as described on the Declarations Page of the policy.
- The wrap program is available to residential and commercial builders and coverage will be afforded for condominium and townhouse projects.
- The policy period begins on the date that construction commences and it expires when the applicable statute of limitations terminates but no later than ten years from the inception date of the policy.
- The policy provides a single aggregate limit of liability that is reduced by expenses.
- Current available limit is \$1,000,000 per occurrence subject to a \$2,000,000 aggregate.

## **STATES:**

The wrap program is currently limited to California domiciled insureds but may be offered in other states in the near future.

## **MINIMUM PREMIUM:**

- Minimum is \$125,000 for gross receipts up to \$5,000,000.
- Minimum is \$150,000 for gross receipts over \$5,000,000.

## **SUBSCRIPTION FEE**

- Subscription fee is 3% and will equal one share with no redemption.

## **SELF-INSURED-RETENTION**

- All wrap policies are subject to a self-insured-retention.
- Although the retention applies to all insureds, the named insured is responsible for verifying and accounting for all of the covered damages that fall within the retention.
- The minimum retention is \$150,000 up to gross receipts of \$7,500,000. The size of the retention excess of receipts of \$7,500,000 will be equal to two times the receipts up to a maximum retention of \$350,000. Example is receipts of \$10,000,000 X 2% = a \$200,000 retention. Receipts that increase during the policy in excess of \$7,500,000 will proportionately increase the retention by a two percent factor until the maximum retention is reached.

- The retention only applies to property damage.
- The retention is not reduced by loss adjustment expense but is reduced by loss payments, material and labor costs (no betterment is allowed).
- The retention applies on an aggregate basis regardless of the number of occurrences or claims.
- Letters of Credit are required for an amount of no less than two-thirds of the retention.

**PER CLAIM DEDUCTIBLE**

- A per claim deductible applies to bodily injury claims only, and is not subject to an aggregate.
- The deductible applies to all insureds, but the named insured is responsible for satisfying any deductible amount(s) that is owed to the Company.

**UNDERWRITING CLASS CODES, CLASSES AND BASE RATES**

The underwriting class is governed by the status of the Sponsor/Organizer as it bears to the type of project noted below.

	<b>UW CLASSES/PROJECT TYPES</b>	
	WRAP-RESIDENTIAL - SFH	
	WRAP-RESIDENTIAL - TRACTS 2/10	
	WRAP-RESIDENTIAL - TRACTS 11/25	
	WRAP-RESIDENTIAL - TRACTS - 26/50	
	WRAP-RESIDENTIAL - TRACTS- X50	
	WRAP - RES - APTS - 2/4 UNITS	
	WRAP - RES - APTS - 5/10 UNITS	
	WRAP - RES - APTS - 11/20 UNITS	
	WRAP - RES - APTS - 21/40 UNITS	
	WRAP - RES - APTS - X40	
	WRAP - RES - CONDOS - 2/4 UNITS	
	WRAP - RES - CONDOS - 5/10 UNITS	
	WRAP - RES - CONDOS - 11/20 UNITS	
	WRAP - RES - CONDOS - 21/40 UNITS	
	WRAP - RES- CONDOS- X40 UNITS	
	WRAP - RES - TOWNHOUSES - 2/4 UNITS	
	WRAP - RES - TOWNHOUSES - 5/10 UNITS	
	WRAP - RES - TOWNHOUSES - 11/20 UNITS	
	WRAP - RES - TOWNHOUSES - 21/40 UNITS	
	WRAP - RES - TOWNHOUSES - X40 UNITS	
	WRAP - COMMERCIAL/INDUSTRIAL	
	WRAP - ROLLING WRAP PROJECTS	??????

All of the underwriting classes are authorized for use except item B222.

**PRE-BIND REQUIREMENTS**

- Item 17 in the Conditions Section of the policy, titled “Risk Mitigation,” requires that an insured retain the services of a risk management service designated by the Company which is Builders Protection Group LLC located at 240 Center Street in El Segundo, California 90245 for California domiciled insureds only. The telephone number is area code 310-356-4840 and the fax number is area code 310-356-4847. A California domiciled insured must provide confirmation that Builders Retention has been retained prior to coverage being bound.
- Applicants (Sponsors/Organizers) must completely fill out and sign a “PBSIC Wrap Application” that was specifically created for this program. The application should be read carefully since it requires additional information to be provided such as the soils report etc.
- As mentioned above, there is a supplemental application that must be filled out by an architect, engineer or surveyor.
- Signed subscription agreement.
- Submittal of a final statement from the Sponsor/Organizer that is acceptable to the Company.
- Secure financial statement acceptable to the Company.

**LOSS HISTORY:**

A minimum of five years loss history is required from the Sponsor/Organizer and the general contractor, if a different entity from the Sponsor/Organizer. This requirement is subject to modification if the Sponsor/Organizer has less than five years in business but this does not alter the requirement for a general contractor.

**NEW VENTURES:**

The Sponsor/Organizer might be a new venture but this would require an experienced licensed general contractor to be in place with a minimum of five years experience.

**GENERAL SUMMARY OF WRAP COVERAGE:**

This summary includes some, but not all of, the major components of the wrap policy. The policy should be read carefully.

**Insuring Agreement - Indemnity:**

1. Coverage is project specific. The covered project appears on the Declarations Page.
2. Trigger of coverage is similar to the CGL PBSIC policy or damages first beginning during policy term.
3. Policy Period (defined in policy) has two parts. It reads as follows:

“**Policy Period** means the term of this policy that incepts when **your work** at the project shown in Item 2 of the Declarations Page first begins and expires when **your work** is deemed completed as provided for in the **products-completed operations hazard**. Solely with respect to liability for **property damage** included in the **products-completed operations hazard**, the **policy period** is extended for an additional period of time. The extension of the **policy period** will commence at the time **your work** is deemed to be completed as described in the **products-completed operations hazard**. The **policy period**

extension will end when the applicable statute of limitations for any **claim** or **suit** for **property damage** has expired. However, in no event will the extension of the **policy period** exceed ten (10) years from the date **your work** is deemed completed as provided for in the **products-completed operations hazard.**"

**Insuring Agreement – Expense:**

1. Duty to defend the named insured only. The right but not the duty to defend other insureds such as enrolled subcontractors. This came about given the relationship between the developer/GC and the insured subcontractors and issues of one insured suing another insured.
2. Expense is within limits.
3. No duty to defend an AI.

**Exclusions:**

1. Exclusion B (Contractual) - Defense costs not covered for an Insured Contract
2. Exclusion H (Mobile Equipment) – Coverage for driving mobile equipment on ways adjoining the project.
3. Exclusion J (Operations PD) – Modified to apply to all insureds (GC and subs) to exclude coverage for PD during operations phase. Note: It is important for GC/Developer to add subs to Builders Risk policy since the carrier could subrogate against a sub otherwise who would be bare for coverage.
4. Exclusion L (Work Product) - Removed from the policy.
5. Exclusion (Past Projects) – Was left in policy as a safeguard only for the PBSIC policy but taken out of the BP/PBSIC policy.
6. Exclusion U (Professional Liability) – Architect, engineer and/or surveyor can be added to the policy by way of an endorsement subject to underwriting approval.
7. Exclusion JJ (Wear and Tear) – Similar to first party in that no coverage for normal wear and tear.
8. Exclusion for purely cosmetic PD such as flaking stucco.
9. Exclusion KK (Suits by Insureds) – Added to policy to exclude suits brought by one insured against another insured.

Many of the standard PBSIC CGL exclusions such as Mold, Earth Movement, EIFS, Schools and Playgrounds, Silica, Assault and Battery, Employment Practices, Heat Application and Process etc. are in the wrap policy.

**Personal Injury and Advertising Injury:**

1. Removed from policy.

**Medical Payments:**

1. Removed from policy.

**Who Is An Insured:**

1. A licensed sub is an insured (not named insured) if enrolled by the “Sponsor or Organizer” of the project as shown on the Dec Page.

**Conditions:**

1. Arbitration clause to handle coverage disputes.
2. Risk Mitigation Condition that requires project documents to be maintained, construction photographs to be taken for work in progress etc. There is a requirement of the named insured to retain a risk management service that is acceptable to the Company.

**Definitions:**

1. Policy Period defined. See above.
2. Coverage Territory means the state in which the project resides as described in item 2 on the Declarations Page.

**General Comments:**

There are two PBSIC policies. For convenience, the policy currently used for California domiciled insureds is referenced as BP/PBSIC and the other policy designated as PBSIC. This summary applies to both policies. The key difference is that the PBSIC policy provides coverage excess of a homeowner's warranty and the BP/PBSIC policy does not have a similar provision. Only the BP/PBSIC policy is currently available for use.