

The Differences Between General Liability and General Liability **Wrap Policies**

In construction projects, owners and developers must carefully manage risk – particularly when selecting appropriate liability insurance coverage. The two primary options are a project-specific owner/general contractor (GC) general liability (GL) policy and owner-controlled insurance program (OCIP) wrap. Each option has its own distinct advantages and disadvantages, with the optimal choice depending on factors like project size, risk appetite and administrative capabilities.

CONTACT

To learn more about how Amwins can help you place coverage for your clients, reach out to your local Amwins broker.

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General Liability

A project-specific owner/GC GL policy provides insurance coverage for a designated construction project. This policy is purchased in the name of the owner and the GC to provide full GL coverage. It offers coverage for premises and operations, contractual liability, products and completed operations and, if desired, extended completed operations. The underwriting process considers the project type, venue, GC qualifications and the strength of subcontractor agreements.

Advantages:

- Owner has more control with direct oversight of the coverage terms, limits and claims process rather than relying on subcontractors' individual policies.
- Guarantees premiums and rates for the policy's duration.
- Shifts the responsibility of coverage to subcontractors, which may reduce the general contractor's layer of protection compared to traditional risk transfer setups.

Drawbacks:

- Owners and GCs share limits, potentially reducing available coverage.
- Owners and GCs have limited control over the insurance costs embedded in subcontractor bids.
- Quality and limits of subcontractor-provided coverage vary, potentially exposing the owner and GC to greater risk.
- Vetting subcontractor insurance programs can be time-consuming and costly.
- Subcontractors' policies may change annually, leading to potential coverage gaps.
- In the event of a claim, disputes among subcontractors and insurers can create coverage complications.
- Owners are typically named Additional Insureds on subcontractors' policies, limiting claims-handling input.



General Liability Wrap

A GL wrap policy, whether owner-controlled (OCIP) or contractor-controlled (CCIP), is a project-specific insurance program designed to cover all enrolled subcontractors working on a project under a single policy. This comprehensive approach helps ensure uniformity in coverage and often results in more predictable claims handling. Unlike project-specific owner/GC GL policies, which require each subcontractor carry their own liability insurance, a wrap policy consolidates coverage under a single umbrella, reducing reliance on subcontractors' individual policies.

Advantages:

- Uniform coverage helps ensure that all subcontractors maintain the same level and breadth of liability protection, reducing hidden policy exclusions and coverage gaps.
- Cost transparency helps eliminate insurance-related markups in subcontractor bids, allowing for clearer project cost allocation.
- A more streamlined claims process means all covered parties are insured under the same policy, reducing finger-pointing and expediting claims resolution.

Drawbacks:

- Administrative complexity requires proper wrap administration and third-party oversight, adding to overall costs.
- While wrap programs can save money long-term, they require significant initial investment.
- Unlike project-specific policies where subcontractors carry their own coverage, wrap policies consolidate protection, reducing additional layers of defense.
- Care must be taken to align exclusions with project risks and coordinate with builders' risk policies.
- Some subcontractors may not fully adjust their pricing to account for the wrap coverage, leading to potential inefficiencies.

Choosing the right coverage

Determining whether a project-specific owner/GC GL policy or an OCIP wrap is the best fit depends on factors such as project scope, administrative capability, risk tolerance and cost considerations.

For projects with a large number of subcontractors, a wrap policy can simplify coverage and claims handling. In contrast, smaller projects may benefit from a more traditional project-specific policy that allows greater control over individual contractor insurance requirements.

In an evolving construction insurance landscape, partnering with an experienced broker ensures that owners and contractors select the most effective risk transfer mechanism tailored to their needs.

We help you win

From managing vital resources to ensuring worker safety, your construction clients need solutions that protect them against unexpected events. The Amwins team of construction brokers understands that exposures vary by region, and there's no one-size-fits-all solution for every risk.

Our construction insurance practice leverages the expertise of specialists around the country to meet the unique needs of various construction-related entities and insureds. Contact your Amwins broker today.

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