Appendix I

Appendix I
Glossary of Terms

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Glossary[1]

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[1] Special acknowledgement is given to Gary Bird as substantial parts of this section are reproduced directly from his Wrap-Up Guide, 3rd Edition, published by IRMI copyright 2000. Other sections draw upon Port of Oakland's Feasibility Study (completed November 1998) and other OCIP research including State of California's Office of Risk Management reports.

Attachment Point
Attachment point is the point where insurance coverage begins to respond to claims.

Automobile Liability
Contractors should be required to provide auto liability insurance that will respond to their liabilities on and off the project site. In most cases, a minimum limit of at least $1 million is appropriate. This is one of the most important non-Consolidated Insurance Program (CIP) insurance requirements, and ongoing compliance should be monitored regularly.

Builders Risk
An all-risk builders risk policy should be purchased for the benefit of contractors and subcontractors to the project. Even if no other lines of insurance are wrapped, insuring all course-of-construction risks on one policy can eliminate potential coverage conflicts, duplication of services, and contractors' markups. Further, while individual contractors' policies may not generate sufficient premium to earn volume discounts, a single common CIP policy often does qualify for premium discounts.

The CIP builders risk policy should name all contractors and subcontractors as insureds under the policy. The intent is to provide first-party coverage under a single policy for physical damage losses incurred during construction, which avoids disputes between multiple insurers as to which party is responsible for a loss and which party owned which property at the time of the loss. Consequently, all of the construction contracts between insured parties should include a waiver of each party's rights for recovery against other insureds with respect to losses covered by the CIP builders risk policy. A waiver of subrogation endorsement to the policy further clarifies this intent. Failure to execute these waivers may subject the CIP to multiple deductibles.

Depending on the characteristics of the project and the interests to be protected, the CIP builders risk policy may be extended to provide many or all of the following coverages.

- Earthquake and flood
- Boiler and machinery (including testing coverage)
- Damage to existing or adjoining property of the project owner
- Materials in transit or stored off-site
- Time element coverages (for project delay)
- Collapse

If possible, these coverages should be written by the same insurer to minimize coverage gaps and conflicts that can delay or deny recovery. Unfortunately, this approach is not always possible or practical. Transit coverage and boiler and machinery coverage, in particular, may have to be written on separate forms or with different insurers.

If the builders' risk policy cannot be issued on an all-risk basis for the entire policy limit, then at least the first layer ($50 million or so) should be written on the basis with excess limits provided on a named-perils basis. Most all risk losses will fall within a lower primary layer; larger losses are usually the result of a catastrophic event, such as flood, earthquake, fire, or windstorm, which can be covered under most named-perils policies.

Contractors should be held responsible in their construction contracts for a reasonable deductible under the builders risk policy. Being responsible for the first $25,000 or so of each loss may make contractors more sensitive to property loss control matters. This contract deductible should balance the desire to make a loss a "damaging" event for the contractor (to motivate safety and good loss control) with the contractor's ability to accommodate the deductible. (It should not jeopardize the contractor'' financial viability.) The project manager normally retains the difference between the contract deductible and the actual policy deductible.

Contractors' Tools and Equipment
Contractors should be made aware that only those materials and equipment that are owned by or intended for installation that the insured project will be covered by the CIP builder's risk policy. Mobile offices and other temporary structures, equipment, materials, fixtures, and any other items owned or rented by the contractor and brought on-site (and not incorporated into the work) are not covered. To have coverage for these items, contractors must procure and maintain a separate contractor's equipment floater or similar insurance. The CIP insurance manual should clarify this point to avoid misunderstandings and false expectations.

Cash Flow

Premium payments for a CIP are usually arranged on a cash flow basis, with regular monthly or quarterly payments of the deposit premium. This arrangement enhances the economic value of the CIP by spreading payments for the life of the project (which eases the project manager's cash burden), taking advantage of the time value of money. However, if a captive is involved, the CIP manager may wish to accelerate the premium payment to maximize the period of investment of the transferred funds. (See Wrap-Up Captive)

Excess/Umbrella Liability

Purchase of excess or umbrella policies for a CIP is advisable on major construction projects. Additional limits of liability above the primary general liability policy may be purchased as excess ("following form") or umbrella coverage. The adequacy of coverage under the primary CIP liability policies will indicate which of these approaches is most beneficial.

Substantial excess or umbrella limits should be provided by the CIP when the primary limit is written with an annual aggregate. Limits of at least $25 million are in order for most projects, with higher limits ($100 million) indicated for projects in high exposure areas, such as urban centers.

If the primary liability limits are provided under a "pyramid" approach (see discussion of general liability insurance) excess coverage may not be as important to the CIP because of its greater

per-insured coverage. A separate $2 million primary enrolled contracting entity will provide sufficient protection for all but the most serious claims. Each CIP insured (including the project manager) can provide additional limits through its own excess insurance policy(ies). However, since many contractors' umbrella policies contain a contractor's limitation endorsement, which may include a blanket exclusion for wrap-up projects, modifications may be required for these policies to apply in excess of the CIP primary policy.

The primary CIP general liability insurer may wish to write the excess or umbrella policies as well. Some insurers prefer to "play" in the excess or umbrella layers and will provide valuable coverage enhancements for that privilege.

Force Majeure

French for an act of God; an inevitable, unpredictable act of nature, not dependent on an act of man. Used in insurance contracts to refer to acts of nature such as earthquakes or lightning.

General Liability

The most common approach for providing general liability coverage is to purchase a primary CIP policy with a single per occurrence limit for all contractors (e.g., $2 million) and an annual policy aggregate at multiples of that single limit (e.g., $6 million). A common excess applies in excess of the CIP primary policy, with limits suitable to cover project exposures. Establishing appropriate umbrella limits may be largely a function of location and exposure. A project in New York City (or San Francisco for that matter) likely will require higher limits (e.g., $100 million) than a similar project in downtown Albuquerque, New Mexico ($25 million may be adequate). Insurance market conditions will also influence decisions regarding both the composition of the CIP coverage and the limits provided.

A reasonably high limit in the CIP excess, typically a relatively inexpensive program component, may make contract negotiations much simpler. Many large contractors will balk at accepting contractual indemnification requirements written substantially in favor of the project manager. This objection is typically rooted in the contractor's concern that a claim exceeding CIP coverage limits will have an adverse impact on its own insurance program. Other common contractor objections are summarized under Common Contractor Objections to CIP Liability Coverage. A robust CIP excess will eliminate those objections.

Loss Rate

Total Claims Costs divided by Total Incurred Payroll. This measure can provide helpful comparison for payroll-related risks like workers compensation.

Loss Ratio

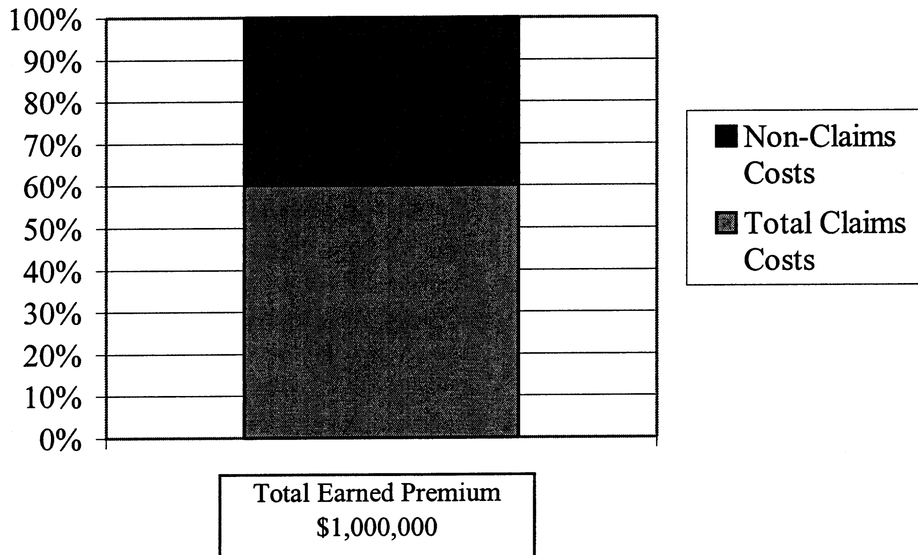
The Loss Ratio is defined as the ratio of Total Claims Costs to Total Earned Premium. In the most basic example, for a fully insured (i.e. not loss sensitive), first-dollar (i.e. no deductible) insurance program with a Total Earned Premium of $1,000,000, one might expect a 60 percent loss ratio. This means that 60 percent of the $1,000,000, or $600,000 has been used to pay claims. The remaining 40 percent or $400,000 has been used to cover insurance company

administration costs, premium taxes, commissions, contingency, other miscellaneous, non-claims costs, and profit.

Loss ratios are often calculated on either a ***paid basis*** or an ***incurred basis***. The incurred basis is the preferred approach as it includes all claims costs regardless of whether the claim has actually been paid to date. Some claims are 'unpaid' because while they may have been incurred, they may not yet be reported and/or processed.

Loss Ratio Illustration

Total Claims Costs	$ 600,000	**Loss Ratio =**	**60%**
Non-Claims Costs	$ 400,000		
Total Earned Premium	**$ 1,000,000**		



Loss Sensitive Programs

Loss-sensitive programs allow the insured to recapture premium left over after payment of claims and insurer charges. For example if insurer overhead is 20% and losses are 30%, the insured could conceivably receive 50% of the premium returned as a retrospective adjustment or dividend. In exchange for this potential for savings due to good experience, the insured assumes more risk if losses are worse than expected. This program design option offers the greatest savings potential in the workers' compensation area, although at greater financial risk.

Loss sensitive program design must be coupled with effective safety and claims management procedures. Considering loss-sensitive programs for any insurance other than workers' compensation is generally advised against as claims frequency and severity are too unpredictable. General liability claims are not limited (in amount) by statute, as are workers'

compensation claims. Also, general liability premiums are likely to be far lower than workers' compensation premiums, so any savings from taking more risk in the general liability area would be small in view of the risks involved.

In loss-sensitive programs, the premium adjustment periods and the termination date for the CIP must be established up front. Without a prearranged termination date and formula for valuing the CIP program tail, the CIP manager may be at a disadvantage in trying to close the program within a reasonable time following completion of work. Such delays will frustrate project accountants who are trying to close the project accounts. An adjustment period of up to 3 years may be arranged. The first premium adjustment is usually calculated 6 months after conclusion of work.

More sophisticated CIPs involve higher risks for the project manager, but they also offer the opportunity for greater cost savings. Retrospective rating plans are generally the most popular with major projects. Not only are the premiums lower in loss-sensitive programs, but any reductions in actual losses will generate additional savings. On the other hand, the project manager must recognize the potential for premiums to be greater than the standard premium that would be charged under a more conservative plan. Depending on the structure of the plan, this would usually occur if losses exceed anticipated losses. The importance and economic value of loss control under a loss-sensitive plan cannot be overemphasized. A loss-sensitive program provides strong incentives to assure a full commitment to loss prevention and control.

Other Coverages that May be Included in an OCIP

Aircraft & Watercraft Liability
If a contractor intends to use owned or chartered aircraft in the performance of its work on the project (e.g., transporting people or equipment to or from the project site), aviation liability coverage naming the project manager and owner as insureds should be procured.

Design Errors and Omissions
Project design professionals should provide professional liability insurance with adequate limits and coverage to support their potential liabilities. The size of the project and the nature of the design will determine the limits needed; in most cases, the limits required will be significantly less than the value of the project

Design engineers may seek to limit their professional liability to the amount of the contract or the amount insurance provided, or to limit their liability for consequential damages (business interruption). Such limitations should be evaluated in view of the risks involved and the degree to which the project manager relies upon the professional work to complete a project. If such limitations are accepted, they will be worded to apply only to liability accruing to the project manager. Exposure of project design professionals and engineers to other projects should also be considered when evaluating the E&O aggregate exposure and subsequent coverage requirements.

Environmental/Air Quality Insurance
Absent exclusionary endorsements to the contrary, the standard ISO CGL provides coverage for both incidental pollution liability and design errors and omissions of the contractor. Specifically, the CGL policy covers pollution damages arising out of a hostile fire, building heating and cooling equipment, a release of contaminants that were not brought onto the site by the contractor, and the accidental release of fuels or lubricants used in the operation of mobile equipment. The standard policy contains no professional liability exclusion at all. However, insurers often attach more restrictive pollution and professional liability endorsements to CGL policies naming contractors as insureds. Some pollution exclusion endorsements are total, removing all coverage for injury or damages caused by pollutants.

Project managers should specify that pollution coverage at least as broad as that provided by CG 00 01 07 98 should be included in the CIP policies. With respect to professional liability, if a professional liability exclusion cannot be avoided, the CIP should require, at a minimum, that the coverage for incidental design errors and omissions arising from the execution of ordinary means and methods of construction is included in the policy. If the contractor is performing more extensive design work, the project manager should consider requiring separate professional liability insurance.

Owners or project managers sometimes impose a deductible or self-insurance retention **(SIR)** on the CIP primary general liability policy to remove small claims from the program's loss experience and to give contractors an incentive to practice effective loss control. However, even under a loss-sensitive program it is usually more efficient to provide first dollar coverage and bring all claims into the CIP claims management functions as early as possibly so they can be managed effectively from the start.

Notice of occurrence provisions and the CIP's general liability policy should specify that knowledge on the part of the insured means knowledge on the part of the CIP manager. This type of provision assures that project manager that coverage will not be voided by contractor's failure to report a potential loss event.

Participating Plans
A couple of middle-of-the-road financing options, in terms of risk and potential cost savings, are also available. Dividend and retention plans are participatory in nature and involve a limited amount of loss sensitivity in the calculation of premium.

Under a dividend program, premiums are paid in advance using standard rates. When the plan is terminated, dividends are paid based on a predetermined sliding scale derived from a range of net loss ratios. Recall that, as a matter of law, dividends cannot be guaranteed.

Retention plans, which are a variation of dividend plans, establish a base premium (retention amount) to cover acquisition costs, administrative costs, loss control expense, claims handling expense, bureau charges, taxes, fund assessments, stop-loss charges (specific or aggregate), and profit. The retention amount the minimum premium that will be paid, even if there are no losses. The balance (paid-in premium minus the retention amount) is available for payment of losses and

loss adjustment expenses. Any funds remaining at the end of the final adjustment period are returned to the insured as a dividend. Here again, however, dividends are not guaranteed.

Product Liability

Product liability is normally included in CIP insurance, but it is not intended to replace the products coverage of major equipment suppliers. Because the products liability tail may far exceed the equipment use in the product at hand, most suppliers prefer to rely on their own insurance program and will resist inclusion in the CIP. Unless the supplier is also the on-site erector of it's equipment, its exclusion from the CIP is not a problem. (Having a subcontractor install the supplier's equipment can make this a non-issue because the subcontractor can easily be included in the CIP.) Alternatively, the issue may be resolved by excluding products liability coverage for that contractor.

Retrospectively Rated CIP Insurance Plans (retros)

Retrospectively rated CIP insurance plans (retros) are generally the most popular plans for major construction projects. (A "high deductible" program may also be used in jurisdictions where it is available.) The principle behind retro plans is to match premiums as closely as possible to the actual loss experience, with a high-level stop-loss insurance layer to protect against catastrophic losses. In the most instances, liability and workers compensation coverages can be combined under a single retrospective-rating program. (The National Council for Compensation Insurance (NCCI) publishes rules for retrospectively rated plans.)

Under a retro plan, adjustments are made periodically to account for actual losses incurred. There are two basic types of retro programs. The first, and incurred loss retro, accounts and adjusts for losses that have been incurred. Reserves are maintained and retro adjustments are calculated as if the entire loss were to be paid today. The second type of retro, a paid loss retro, calculates adjustments using only those loss amounts that have actually been paid out. Since most losses are not paid immediately but require month or years to develop properly, the insured gains the cash flow advantages associated with delayed payments.
With proper excess insurance layers, or a conservative program "maximum" to absorb large losses, a retro plan can provide loss control incentives and monetary rewards. The CIP manager should select the best option based on the financial goals of the project. Details of these and other possible risk financing plans can be found IRMI's Risk Financing and Construction Risk Management manuals.

Some points to consider in negotiating the various rating factors and related costs in a retrospective program are as follows.

- Brokers commissions, when left in the premium, create an extra tax burden. By negotiating a separate fee, these costs are removed from the premium and are not subject to premium tax. Loss control services can be contracted separately for the same reason.
- Retro formulas contain cost trade-offs that should be evaluated. For instance, a higher basic premium will allow the application of a lower loss conversion factor (claim management costs). This may be to the owner's advantage if the frequency of expected losses is high. If

the project manager is confident that losses are going to be minimal, a higher loss conversion factor (LCF) may be selected to achieve a reduced basic premium.

- A number of cost components in the basic premium are related to the insurer's cost of providing certain services, such as accounting or auditing services, such as accounting or auditing services. Some of these services may be obtained more efficiently from other providers. Explore cost reductions that may be allowed if the project manager supplies these services.
- The minimum and maximum premium levels selected by the CIP manager have a significant impact on overall premium charges. The CIP manager should set those amounts at levels that anticipate realistic loss experience. On a well-managed project in which the project manager is reasonably confident of good loss experience, a guaranteed maximum premium of up to 130 percent of standard premium may be appropriate. Where loss experience cannot be predicted with reasonable confidence, a lower maximum premium (e.g., 110 percent) may be more appropriate, but a higher basic premium will be paid for this lower maximum premium.
- The retained loss limit must be determined. A plan may employ separate loss limits for workers compensation and general liability, or cap the combined risk for both in a single event loss limit. A loss sensitivity analysis based upon a range of expected outcomes may be useful.

Residual Wrap-Up Coverage

Even if a contractor's general liability policy contains a wrap-up exclusion with respect to the project, that exclusion only applies to the location designated in the endorsement; therefore the policy will still respond to off-site losses. However, instead of excluding coverage altogether under their own liability programs, contractors should seriously consider applying their CGL policy as excess and difference in conditions (DIC) to the wrap-up, both during and after the course of construction. This strategy preserves coverage for on-site losses to the extent they are not covered by the CIP policies.

While there is no standard "excess and difference in conditions (DIC)" endorsement some insurers will attach nonstandard endorsement that achieve the desired coverage.[2] These endorsements go by a variety of names, including "wrap-around" endorsements, "residual wrap-up" endorsements, and "difference in conditions" (DIC) endorsements. They all accomplish the same objective, however, which is to apply the contractor's policy as excess coverage over the wrap-up policy and to ensure that the contractor's coverage for its activities on the wrap-up project is at least as broad as that provided under its own policy.

Wrap-around endorsements also ensure completed operations coverage for the contractor's work on the wrap-up project after the CIP tail coverage expires. The contractor's CGL provides excess coverage during the course of construction and while the CIP tail is in effect. When the tail coverage expires, the contractor's CGL becomes primary with respect to completed operations claims.

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[2] ***ISO publishes a standard endorsement for removing all coverage with respect to a scheduled wrap-up, Exclusion-Designated Operations Covered by a Consolidated (Wrap-Up) Insurance Program (CG 21 54), but does not publish a standard endorsement for providing wrap-up coverage.***

Preserving the contractor's coverage on an excess basis will also help to keep the contractor's regular insurer and broker involved on a limited basis. Sample language for this purpose is provided in the table below.

Residual Wrap-Up Liability Coverage Endorsement—Sample Language

With respect to "bodily injury" or "property damage" arising out of either your ongoing operations or operations included within the "products-completed operations hazard" at a location that is covered by a consolidated (wrap-up) insurance program, the policy to which this endorsement is attached shall apply as excess insurance over any coverage available under the wrap-up insurance policies.

Contractors should be aware that most excess liability policies naming contractors as insureds contain a contractor's limitation endorsement. While these restrictive endorsements are not standard, many of them include a blanket exclusion with respect to wrap-up projects. As a result, contractors may need to modify their excess to match the scope of coverage provided in the underlying CIP general liability policy and preserve residual wrap-up coverage through the full limits of their own liability program.

Subrogation Waiver

All CIP policies should contain a waiver of subrogation provision in favor of the project manager and other contractors enrolled in the CIP. A standard endorsement—Waiver of our Right to Recover From Others Endorsement (WC 00 03 13)—is available for this purpose.

Underwriting Specifications

The policy form and endorsements desired for the CIP program should be specified in the underwriting submission to prospective insurers. Most CIP managers stick with standard Insurance Services Office, Inc. (ISO), policy forms and modify them as needed for the project. Standard policy forms offer several advantages over nonstandard or manuscript forms, including the fact that their terms and conditions have already been tested in the courts.

Regardless of the form used, the following coverages should specifically be included in CIP underwriting specifications. Each of these coverages is described in detail below.

- Contractual liability
- Damage to the work
- Independent contractor liability
- Completed operations
- XCU coverage
- Personal injury liability
- Employees as insured

Standard ISO commercial general liability (CGL) policies with a 1986 or later edition date automatically include all of these coverages. However, listing them in the underwriting specifications reduces the risk that exclusions for these exposures will be attached. If a nonstandard form that excludes one or more of these coverages is used, the insurer should add back the coverage by attaching the appropriate endorsement(s).

Contractual Liability
Although wrap-up participants are insured under one policy, they remain separate legal entities with the ability to bring suit against one another. Consequently, coverage should be "joint and several." The ISO CGL policy includes a separation of insureds provision that preserves the policy's coverage with respect to suits filed by one insured against another insured. This provision states that the policy applies separately to each insured, which is critical to preserving protection for liability assumed in the indemnity provisions of the contracts.

Damage to the Work
Often referred to as "broad form property damage," this coverage provides protection with respect to liability for damage to the work. Although the policy excludes coverage for property in the contractor's care, custody, and control, the 1986 and later forms limit the exclusion, with respect to real property, to "that particular part" of property on which the contractor is performing work.

If cranes are to be used on the project, consider adding the riggers liability endorsement, which deletes or modifies the care, custody, and control exclusion to cover damage to equipment while it is "on the hook."

Independent Contractor Liability
This coverage protects insured parties for vicarious liability arising out of the actions of a contractor or subcontractor. The standard ISO CGL includes independent contractor liability coverage.

Completed Operations
Coverage for completed operations claims arising out of a wrap-up project is a major concern to contractors. Under the standard, occurrence-based CGL, contractors have completed operations coverage for liability arising out of past projects under their current CGL policies, as long as the bodily injury or property damage occurs during the policy period.

However, if a contractor's CGL policy has been endorsed to remove coverage for the wrap-up project (since contractors are not allowed to charge the project for such coverage, they typically will exclude these payrolls from their CGL coverage and premium base), the policy will not respond to losses arising out of work on that project. If this exclusion is carried over onto future policies (some insurers attach a blanket wrap-up exclusion endorsement that applies to both current and prior wrap-up projects), the contractor will not have completed operations coverage under its own program with respect to the wrap-up project.

Most CIPs provide "tail coverage" for a minimum of 3 to 5 years after the project is completed (not just the completion of the individual contractor's work). Ideally, an unlimited tail for

completed operations should be negotiated for the CIP policy since claims can surface well beyond 3 to 5 years. If an unlimited tail is not feasible, contractors can arrange coverage for completed operations claims arising out of the wrap-up project after the CIP tail coverage has expired. The project manager should allow a reasonable premium charge for such coverage to be included in the contractor's bid. The longer the CIP tail coverage, the more open CGL insurers are to providing this coverage for contractors.

Many contractors wrap up their own CGL policies around the CIP to ensure adequate scope of coverage and adequate limits both during and after the project. See the discussion of residual wrap-up coverage under "Comments on Non-CIP Insurance" below.

XCU Coverage

XCU coverage refers to coverage for explosion, collapse, and underground property. Explosion coverage applies to property damage arising from blasting operations or other explosions. Collapse coverage applies to structural property damage caused by excavation and other demolition activities. Coverage for underground property damage includes damage to wires, pipes, tunnels, and sewers caused by mechanical digging, pile driving, excavating, or similar actions by heavy equipment.

Prior to 1986, standard ISO forms contained an XCU exclusion that removed coverage for each of these risks. The current ISO CGL does not contain an XCU exclusion, but some nonstandard CGLs may exclude one or more of these hazards, and some insurers may attach an XCU exclusion endorsement. On most projects, project managers will want to ensure that this coverage is provided in the CIP.

Personal Injury Liability

Personal injury coverage is provided under Part B of the standard ISO CGL. This coverage provides protection against claims against a person for other than actual physical injury, such as libel, slander, false arrest, detention or imprisonment, and invasion of privacy. Because of the security measures that must be taken at wrap-up project sites, and the resultant exposure to claims of false arrest or wrongful prosecution if someone is detained or charged with trespass, this coverage is important for the protection of all parties.

Employees as Insured

CIP general liability insurance should cover employees as insured and allow suits by one employee against another. The ISO CGL coverage form defines "insured" to include employees of an insured and can be modified by endorsement to cover fellow employee suits.

Workers Compensation Insurance

Because of the magnitude of the premiums involved and the controllability of losses through aggressive loss prevention and mitigation measures, workers compensation insurance is a key CIP coverage. Part A of the workers compensation policy covers the employer's statutory liability under the laws of the states listed in Item 3.A. Part B provides employers liability coverage or an employer's non-statutory liabilities arising out of its status as an employer. Benefits payable under Part A of the policy are specifically excluded from coverage under the

employer's liability coverage. This approach dovetails the employer's coverage with respect to liabilities under a specific state's workers compensation statute, but it can leave holes if there are additional benefits payable under the states' laws.

FELA and Maritime Coverage
Where applicable, CIP policies should provide coverage for benefits payable under the Jones Act, Defense Base Act, Longshore and Harbor Workers Compensation Act, and Federal Employers Liability Act, even if the risks of loss under such laws is removed.

"Other States" Coverage
While the primary workers compensation risk associated with a CIP project arises from the specified job site, there are occasions when incidental CIP-related activities may be conducted in another state or, more commonly, when crews from a different "state of hire" are employed to complete part of the work.

Because Part A of the workers compensation insurance policy responds only to statutory liabilities under the laws of states listed in Item 3.A., this coverage does not apply to claims payable under other states' statutes unless specific steps have been taken to arrange such coverage. Nor will the employer's liability coverage apply since than portion of the policy specifically excludes benefits payable under a workers compensation statute.

Part C of the policy—other states insurance—fills the gaps arising out of incidental workers compensation exposures in states other than the one in which the project is located. (In the past, other states coverage was obtained by endorsement to the workers compensation policy, but is now part of the basic policy.) Other states coverage is activated by listing one or more states for which this coverage is to be provided in Item 3.C. of the Information Page.

Possible Coverage Extensions
The need for following coverage extensions should be evaluated and coverage obtained as deemed appropriate for the risks present and a given project.

Stop Gap Coverage
Ohio, North Dakota, Washington, West Virginia, and Wyoming require all workers compensation insurance to be purchases from a state fund; therefore coverage for incidental exposure in these states cannot be obtained under the other states portion (Part C) of the standard workers compensation policy. However, employers liability insurance can be purchased to respond to non-statutory liabilities arising out of injuries in these states. The employers liability coverage endorsement (WC 00 03 03) provides employers liability coverage on a stand-alone basis for states listed on the endorsement. (Ohio requires a state-specific endorsement for this purpose.) CIP managers should evaluate the exposure in these monopolistic states and consider adding stop gap coverage accordingly.

Subrogation Waiver
All CIP policies should contain a waiver of subrogation provision in favor of the project manager and other contractors enrolled in the CIP. A standard endorsement—Waiver of our Right to Recover From Others Endorsement (WC 00 03 13)—is available for this purpose.

Voluntary Compensation Coverage

Workers Compensation insurance can be provided on a voluntary basis to persons who are not considered "covered workers" under a workers compensation statute. This measure is primarily a claims settlement tool and can benefit the CIP in that regard. Benefits are provided voluntarily to employees in exchange for a waiver of any further common law rights against the employer arising out of an injury.

Wrap-Up Captive

Some insurers will allow reinsurance of a CIP through the project manager's captive insurance company. If the project manager anticipates involvement in a number of major construction projects, this approach may be a viable option.

The CIP manager selects which lines to reinsure and the amount of loss to be retained by the captive (usually the retained loss limit in a loss-sensitive program). This approach allows the CIP manager, rather than the insurer, to hold the premiums (expected loss amount) or, in the case of reinsurance, to recapture some of the excess loss premiums.