

**ACI CONSTRUCTION CONFERENCE
WRAP / OCIP / CCIP / SUBGUARD / BOND OUTLINE**

I. Wrap-Up / OCIP / CCIP

1. Named Insureds [5 minutes]
 - a. Most frequently follows the construction contract [Leann Irvin]
2. Additional Insureds [5 minutes]
 - a. Endorsements may not exist or be lacking [Kim Petrina]
 - b. It is common that the following parties will typically be excluded: "vendors, suppliers, fabricators, material dealers, truckers, haulers, drivers, and others who merely transport, pick up, deliver, or carry materials, personnel, parts, or equipment or any other items or persons to or from the project site." [Kim Petrina]
3. Insured Limits of Liability [10 minutes]
 - a. Limits are shared [Brendan Winslow-Nason]
 - b. Generally no annual aggregate on multi-year projects [Brendan Winslow-Nason]
 - c. Defense costs can erode the limits of liability [Kim Petrina]
 - d. No drop down by excess [Kim Petrina and Leann Irvin]
4. Project / Site Descriptions [5 minutes]
 - a. Limited to defined project site [Kim Petrina]
 - b. Should Wrap define project / site as including support areas? [Scott Nader, including subpoints]
 - i. Staging areas
 - ii. Fabrication facilities
 - iii. Warehouses
 - iv. Incidental travel to and from
5. Coverage Duration [5 minutes]
 - a. Warranty work and callbacks generally not covered [Brendan Winslow-Nason]
 - b. Products-completed operations coverage duration / tail [Brendan Winslow-Nason]

6. Priority of Coverage [5 minutes]
 - a. This can be overlooked in excess policies causing problems. The excess Wrap / OCIP / CCIP policies should have to exhaust first. [Kim Petrina and Scott Nader]
7. Deductibles and Self-Insured Retentions [5 minutes]
 - a. Who is responsible? [Brendan Winslow-Nason]
 - b. How are deductibles / retentions exhausted among the various participants? [Brendan Winslow-Nason]
8. Obligations and Notice Requirements [5 minutes]
 - a. Who is responsible? [Brendan Winslow-Nason]
9. Exclusions / limitations [10 minutes]
 - a. Design build elements of the project – professional liability typically excluded [Brendan Winslow-Nason]
 - b. Damage to the work – typically excluded to the extent own work is damaged – what is the scope of the work of each participant? [Brendan Winslow-Nason]
 - c. Contractor’s consequential damages – To what extent are consequential damages covered by the policy? [Kim Petrina]
 - d. Loss of use damages [Kim Patrina]
 - e. Wrap / OCIP / CCIP exclusions in general liability policies. [Kim Petrina, Leann Irvin, and Brendan Winslow-Nason]
10. Administering the Wrap / OCIP / CCIP [5 minutes]
 - a. The Wrap / OCIP / CCIP documents – Every Wrap has its own insurance, safety, and claims procedure manuals. Should these documents be made a part of the construction contracts? [Leann Irvin].

II. Subguard / Subcontractor Default Insurance vs. Surety Bond [Scott Nader and subpoints] [10 minutes]

1. Subguard / SDI is not appropriate for all contractors – it is developed for large commercial general contractors. General contractor has to be willing and capable of managing a subcontractor default.
2. Subcontractor pre-qualification –
 - a. Bonds – Pre-qualification is necessary for a surety bond and also ensures that the subcontractor is competent and solvent to perform the work.

- b. Subguard / SDI – The general contractor pre-qualifies the subcontractors and this can provide more flexibility to the general contractor in the selection of subcontractors (e.g. subcontractors without bond or that are maxed out).
- 3. Subcontractor default response –
 - a. Bond – Potential refusal of surety to take over work of defaulted contractor and negative impact to project schedule and budget.
 - b. Subguard /SDI – Provides greater contractor control than surety bond. The general contractor is responsible for the remedy.
- 4. Deductible –
 - a. Bond – none.
 - b. SDI / Subgurard – can be significant (e.g. in the hundreds of thousands of dollars).
- 5. Public projects –
 - a. Bond – accepted on public projects.
 - b. SDI / Subguard – may not meet the requirements for payment bonds, as mandated by the federal Miller Act and state public bond statutes, and SDI may not satisfy the performance surety requirements in certain jurisdictions.
- 6. Rights –
 - a. Bond – Three parties involved (e.g. owner, general contractor, and surety). All parties, such as the owner, have rights against the bond.
 - b. Subguard / SDI – Two parties involved (e.g. general contractor and insurer). Therefore, a party such as the owner generally would not have direct rights.