



# Maintenance Wrap-Ups: How They Reduce Insurance Costs and Provide Consistent Coverage

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A Maintenance Wrap-Up can significantly reduce a plant's insurance costs, while enabling an owner to secure higher quality, consistent coverage and achieve greater control over plant safety, loss control and risk management.



Regular maintenance keeps industrial facilities running at maximum capacity, but it can be costly. A plant's maintenance payroll can run into the hundreds of millions of dollars. The cost of insuring the facility's multiple contractors adds up quickly too.

Plant owners are taking a cue from the construction industry and consolidating insurance for all of their maintenance contractors into a single insurance program, a Maintenance 'Wrap-Up.' Construction project owners and contractors have commonly used Wrap-Ups for years to insure everyone on the jobsite more effectively and efficiently. This approach has caught on with sophisticated plant owners in highly competitive, high-risk industries, from energy and manufacturing to chemicals and food processing – and for a good reason. A Maintenance Wrap-Up can significantly reduce a plant's insurance costs, while enabling an owner to secure

higher quality, consistent coverage and achieve greater control over plant safety, loss control and risk management. When a loss occurs, plant owners find claims handling is streamlined and made more efficient from both a cost and operational standpoint.

#### **How Savings Adds Up**

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Typically, a large plant hires maintenance contractors to handle a wide range of jobs, from tasks associated with everyday upkeep to more technical involvement that includes working with heavy machinery and equipment or hazardous and explosive materials. Without a Maintenance Wrap in place, each individual maintenance provider would be required to bring their own workers' compensation and general liability insurance to the plant based on the owner's contractual requirements. The owner then realizes the price of each contractor's insurance as

## Plant owners combining workers' compensation and general liability for all maintenance contractors into a single Wrap-Up can save an average of up to 60 percent compared to purchasing policies contractor by contractor.<sup>1</sup>

part of the overall cost for the work. However, if the plant owner combines the workers' compensation and general liability coverage for all of the plant's contractors by purchasing a Maintenance Wrap-Up, they can save an average of up to 60 percent or more on the overall cost of insurance.<sup>1</sup> Savings can soar even higher depending on retentions and policy structure and when other lines of coverage, such as environmental, are added to the mix.

The primary sources of this savings are three-fold. First, plant owners leverage economies of scale in the marketplace when they buy one program, from one carrier, to cover all contractors. Coverage is consolidated under a single policy limit, compounding efficiency of both coverage and claims handling. Second, besides being more cost-effective, replacing multiple policy limits with a single aggregate limit controlled by the owner makes practical sense. Losses in this sector don't come frequently, but can be severe. While an explosion, chemical release or other event may impact an owner's excess tower, it is unlikely that a single occurrence would impact several contractors' excess policies – making the wrap-up limits provided a more efficient use of industry capacity.

Third, since Wrap-Ups can be written to cover multiple year terms, plant owners also insulate their insurance programs from volatility in the insurance market. Their savings can be locked in, and costs stabilized, year after year, providing valuable cost certainty for the owner.

These programs also help plant owners establish consistent risk management procedures across all locations and all contractors ultimately instilling a more effective loss control environment.

### Keeping Coverage in Top Shape

Wrap-Ups give owners the opportunity to enhance the quality of coverage for their plant and infuse consistency in policy terms and conditions across the board. Coverage purchased contractor-by-contractor is typically designed to align with individual contract requirements – not necessarily the plant owner's requirements and risk management strategies.

Wrap-Ups allow for a plant owner to tailor coverage and limits to the unique needs and preferences of one site or multiple facilities. This is especially



### Taking Good Care of Your Bottom Line

#### Maintenance Wrap-Ups can:

- Reduce workers' compensation insurance costs up to **40%**
- Reduce general liability insurance costs up to **55%**
- Reduce combined workers' compensation and general liability costs up to **60%**

Based on average annual payroll of approximately \$215 million. Savings can increase significantly depending on the size of the retentions and the risk control procedures in place.



### Why Wrap-Ups Work Better

- Reduced insurance costs
- Tailored coverage that is consistent across all contractors
- Eliminated gaps or overlaps in contractor coverage
- Enhanced control over safety and loss control
- Eased coordination and administration
- Streamlined claims handling
- Long-term stability

important with general liability coverage, since risks can vary significantly industry to industry and plant to plant. Plant owners can consider customizing their program to include essentials like crisis management coverage, which provides a rapid response to the communication and media needs that can accompany a catastrophic loss. Since they are partnering with a single carrier, owners should also be assured that the right dedicated claims and investigative resources are available to them immediately when a serious incident occurs.

Purchasing coverage vendor-by-vendor inevitably leads to inconsistencies in insurance as well. These variations are eliminated when one program is purchased for all contractors.

Owners can also avoid gaps and overlaps that can exist when maintenance contractors are covered by multiple programs from multiple insurers. Wrap-Ups also reduce the administrative burdens owners typically shoulder by lessening the number of certificates that need to be reviewed and maintained.

### Taking the Reins on Safety, Loss Control and Claims

Owners in industries from Manufacturing to Oil & Gas that have high hazard environments and complex exposures typically also have a strong commitment to safety and loss prevention. With one consolidated program to oversee, owners can take greater control of onsite risk management and safety, including ensuring that subcontractors meet required safety standards.

Owners can also elevate safety and loss control with risk engineering services the Wrap-Up insurer provides to augment existing risk management efforts. These may include everything from specialized employee training, to tailored solutions to reduce potential liabilities and resources to minimize the costs of an environmental incident. As a long-term partner, the carrier can be proactive in helping the owner mitigate exposures to reduce the risk of an incident as well as help to control damages if a loss does occur.

Benefits extend to claims handling too. When coverage involves different carriers, differences in policy language can spark litigation among carriers as they seek to apportion losses – adding cost, time and complexity to already complicated claims. With a Wrap-Up, a contractor-related loss on site is covered by one policy, from a carrier the owner selected expressly for its coverage and claims handling. Just one carrier needs to be involved, so claims handling can be streamlined, eased and expedited. As such, costs can be greatly reduced, saving owners significant amounts of money over time.

### Sizing Up Potential Providers

Building a Maintenance Wrap-Up is a collaborative endeavor, to be undertaken with an insurer, broker and Wrap-Up administrator experienced in your specific industry and its maintenance and construction requirements. The insurer you choose should have the financial strength to ensure long-term stability for your program, along with deep underwriting and claims expertise – evidenced by a proven track record in the workers' compensation and general liability space. Plant owners should also evaluate what value-added services the insurer can provide, such as loss control, risk engineering and health, safety and environmental training and oversight.

### A Final Note

While transitioning to a Maintenance Wrap-Up requires forethought and planning, it's a move that will pay benefits for years to come. Not only do these consolidated insurance programs substantially reduce insurance costs, they elevate the quality and consistency of coverage across multiple locations. They allow plant owners to gain greater control and bring heightened focus to safety and risk management. And they lay the groundwork for a smooth, collaborative claims process, with a single carrier responding to the loss.

Maintenance Wrap-Ups foster lasting relationships among all stakeholders – including the owner, insurance broker, carrier, program administrator and covered contractors. Success requires commitment, clear communication and teamwork to identify and mitigate exposures and, ultimately, to instill a culture of risk management, safety and efficiency that's a win for all involved.

### Footnotes

1. Savings based on average annual payroll of approximately \$215 million – comparing actual Maintenance Wrap-Up experience against estimated contractor bid-deducts.

## About the Author

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**Lyndsey Christofer** serves as Senior Vice President, Chubb Construction, North America Major Accounts Based in New York City. Ms. Christofer is responsible for the strategic development, underwriting, growth, profitability and distribution of Chubb's Primary Casualty Construction business across the country. Ms. Christofer oversees the teams of construction underwriters located in New York City, Philadelphia, Boston, Dallas, and Los Angeles. Her team is dedicated to delivering expert service and creative risk solutions to our brokers for large trade contractors, general contractors, owners, and developers.

Ms. Christofer joined legacy ACE as Assistant Vice President, New York Regional Manager for Construction in January 2013. She was promoted to Vice President in March 2015, assuming the additional responsibility of the Los Angeles and San Francisco Regions. Prior to joining ACE, Ms. Christofer served at AIG in various underwriting and leadership roles for Excess Construction and Private Client Group. She began her career as an Actuarial Analyst at AIG in 2005.

Ms. Christofer graduated from Penn State University located in State College, PA with a Bachelor's degree in Actuarial Science.

Data support provided by Consolidated Risk Solutions, an independent administrator that specializes in the administration of large-scale construction projects & maintenance wrap-ups. <https://c-r-solutions.com>

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