
Phase II Concept #3: Wrap Project Limits September 19, 2006

I. Issue:

An insurer can file a wrap policy for general liability projects in excess of \$90 million. A wrap policy provides general liability coverage and general liability on a project basis and allows a contractor or sub contractor to work on project that might be excluded under their own general liability policy. Some insurers have coverage limitations based on type of work performed or project size that preclude a subcontractor covering these projects on their general liability policy. The rate on a wrap policy can be lower than the general liability rate for some contractors.

II. Current Regulation:

ORS 737.602 allows insurers to write coverage for entire construction project as option to writing each contractor and sub-contractor separately, or having several different insurers provide coverage for different contractors involved in the project. A wrap policy allows workers compensation and general liability to be written on a project basis. In the marketplace a wrap policy is also referred to a group general liability project which may also be written as safety group under ORS 737.600(3)(f) or in the surplus lines market, which not subject to ORS 737.600.

III. Alternatives:

Option 3A: Lower the project limits for wrap policies and streamline the deposit and filing regulations.

The option that the Task Force asked to consider was to revise the minimum dollar amount for 'wrap projects.' Reducing the minimum dollar amount on a wrap project from \$90 million to \$10 million could facilitate project risk management for smaller condominium buildings, tract home projects and apartments. In a related vein, the Task Force may wish to consider streamlining the rules for 'safety groups'. The Task Force could recommend making the formation of groups organized to improve accident prevention and claims handling easier, so that projects carry sufficient insurance coverage.

IV. Enforcement

Because all rating plans and rating systems are currently required to be filed under Oregon Insurance Code, no new enforcement provisions are necessary.

V. Steps to Implement

Statutory change will be required in order to reduce the minimum dollar amount eligible for wrap project status.