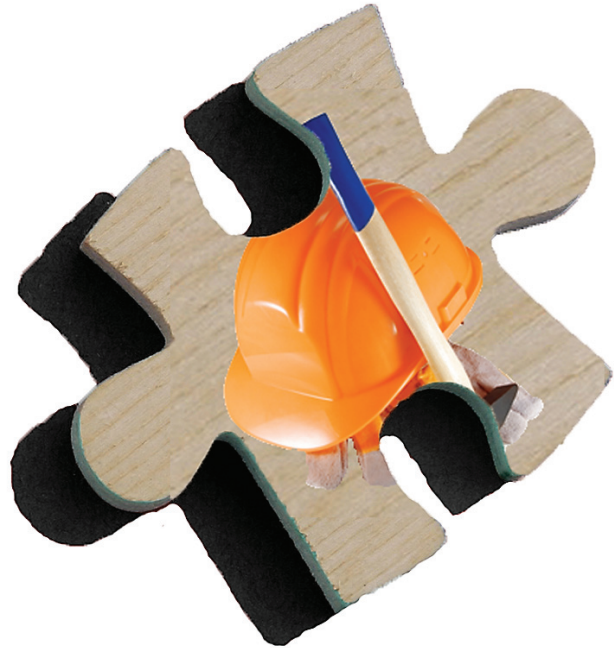


# IT'S A WRAP!



*Heffernan's dedicated wrap-up units support agents with contractor clients*

By Elisabeth Boone, CPCU

If you think of insurance as a puzzle, then arranging coverage for a construction project is the ultimate 1,000-piece jigsaw, requiring excruciating attention to detail to ensure that each tiny piece goes in exactly the right place.

Even a modest construction project is a complex undertaking, given the need to address the exposures of the owner, the general contractor, and a variety of subcontractors including excavation and grading, heating and cooling, plumbing, electrical, carpentry, roofing, and paving.

For many independent agencies, an owner or general contractor on a large project is a highly desirable client. For agencies that don't specialize in this niche, however, identifying risks and coordinating coverage for an owner or general contractor's many exposures is a daunting prospect. Rather than try to

assemble this puzzle on their own, many agents simply pass on the opportunity to quote potentially lucrative business and by default let it go to the national brokers.

Since the 1970s, large construction projects have been using a mechanism known as a wrap-up, in which all of the coverages required by an owner or a contractor and its subcontractors are coordinated and managed in a single insurance program. The chief advantages of this approach are that it minimizes the possibility of coverage gaps and overlaps, often reduces insurance costs, and gives the owner or contractor control of its insurance program. Owner-Controlled Insurance Programs (OCIPs) and Contractor-Controlled Insurance Programs (CCIPs) are wrap-up techniques that are used to structure comprehensive insurance and risk management solutions for contractors in both the public and private sectors.

Although wrap-ups aren't appropriate for all projects, their use is no longer restricted to only the very largest construction firms. Today,

thanks to suites of insurance and risk management services offered by third-party entities, a growing number of less than giant projects are enjoying the benefits of wrap-up programs. For agencies and brokerages that specialize in construction business, offering wrap-up services can be an effective way to broaden their reach in the market while boosting the bottom line.

## **A natural choice**

As a firm with a strong foothold in the construction insurance industry, establishing wrap-up service capabilities was a natural for the Heffernan Group of San Francisco, which is the parent of Heffernan Insurance Brokers.

The ninth largest independently owned insurance brokerage in the United States, Heffernan for many years has specialized in meeting the insurance and risk management needs of construction contractors and subcontractors of all kinds. Chosen as the *Rough Notes* Agency of the Year for 2003, Heffernan was



profiled as the Marketing Agency of the Month in the April 2003 issue of *Rough Notes*.

In 2003, Heffernan launched TREK Insurance Solutions as a full-service entity to design, implement, and administer general liability-only wrap-up programs, primarily in the Western United States. TREK is managed by Senior Vice President Sarah Vallette, who has run the operation since its inception.

In 2008, Heffernan significantly expanded its capabilities to include administration for wrap-ups with workers compensation exposures by forming Wrap Up Insurance Solutions as a division of TREK Insurance Solutions. Based in St. Louis, the new unit is staffed by a team of experts

who bring decades of experience to the new venture. Managing staff members are Brian Billhartz, Larry Jackson, Sarah Vallette, Cindie Allscheid, and Leah Skelton.

### Wrap concept expands

Brian Billhartz, whose background encompasses more than 20 years of insurance experience, talks about the origin of the wrap-up concept.

“Originally, wraps were used for large public projects. The concept was based on self-insurance and higher deductibles to give the owner more control,” he explains. “The concept moved to the private side as owners and general contractors saw the benefits of the approach. Risk

managers who were using self-insurance for their workers compensation or benefits programs carried this concept to the job site. For the last eight to 10 years there’s been increasing use of general liability-only wraps and project-specific wraps for apartment and condominium construction.”

As noted earlier, putting together a wrap-up program is a complex exercise that requires experience, discipline, and focus—and it’s an endeavor where agents and brokers can benefit greatly from the assistance of a team that understands the intricacies of the process.

Wrap Up Insurance Solutions’ target business niche is the development of partnerships with

*Heffernan Group’s TREK Insurance Solutions created a new division based in St. Louis—Wrap Up Insurance Solutions—to handle administration for wrap-ups with workers comp exposures. The St. Louis unit is staffed by (from left): Senior Vice President Brian Billhartz, Senior Vice President Larry Jackson, and Senior Account Executive Cindie Allscheid.*





*Heffernan Group launched TREK Insurance Solutions specifically for general liability-only wrap-up programs, primarily in the Western United States. Here, the San Francisco-based TREK team—(from left) Senior Vice President Sarah Vallette, Account Executive Marjorie Levy, and Senior Account Executive Leah Skelton—visits Chelsea Park, an administration client in San Francisco.*

agencies, brokerages, and consultants to assist in the placement, implementation, and/or administration of OCIPs or CCIPs for their clients.

“Some agents may have a one-off project,” Billhartz says. “Some regional brokers want to offer a wrap capability but prefer not to establish their own wrap unit. We can provide assistance in either of these situations. We can help on the front

end by gathering information so we can explore the feasibility of a wrap for a particular risk, by developing contract language, and then by helping the agent present a proposal to the client and market the program to carriers. For most clients, we also serve as the administrator once the wrap program is in place.”

Wrap-up administration comprises a sequence of tasks, beginning with contractor enrollment and

progressing through project communication, insurance credit calculation and processing, payroll collection and reporting, and loss control and claims management services. Wrap-up management reports are provided to the construction team on a mutually agreed schedule.

“On projects of over \$100 million, we recommend hiring an on-site safety engineer,” Larry Jackson says. “The owner can obtain premium credits from the carrier.” To promote safety on the site, he says, “We develop a relationship among the carrier, the general contractor, and the subs to make sure that safety rules are followed.”

Throughout the process, Jackson says, “We focus on using best practices: ease of enrollment, ease of reporting, implementation of safety rules, giving the contractor insurance information on a timely basis. Our goal is to develop a partnership among the three main entities: the owner or contractor, the subcontractors, and the carrier.”

### **The devil is in the details**

Administering a wrap-up program for a construction contractor and its various subcontractors is a complex undertaking that requires scrupulous attention to detail. Wrap Up Insurance Solutions uses a proprietary software system called TREK Administration with a Web-based platform that allows the administration team to monitor the day-to-day workflow requirements of each wrap-up program.

Once a wrap program has been implemented, Vallette says, “We remove as much of the administrative burden as possible from the contractors or project sponsors.”

Wrap Up Insurance Solutions senior account executives Cindie Allscheid and Leah Skelton are responsible for wrap program administration. They use the TREK Administration system to meet the specific project’s needs, coordinate information technology, implement service guidelines, and ensure compliance with workers compensation filings.

“We’re proud of our work on the administrative side,” Allscheid says.





Brian Billhartz (left) and Larry Jackson (center) consult with a Wrap Up Insurance Solutions client.

“On a day-to-day basis, this is where we add the most value. Our approach is contractor friendly. We collect payroll data from subcontractors on the job site; payroll determines the premium costs for the wrap-up carrier. The carriers and subcontractors are happy because our system is easy to use from an audit standpoint,” she comments. “In the past, communications with contractors and subcontractors have been poor on some wrap-ups, and they received paperwork with no explanation of coverages. Now we hear compliments from subcontractors like, ‘This is the smoothest wrap I’ve ever been in,’” he says with pride.

### Teamwork pays off

Senior Vice President Sarah Vallette expresses enthusiasm about the addition of the St. Louis team to Heffernan’s wrap capabilities. “We had a small team in San Francisco, and our focus was essentially on

the western part of the country,” she explains. “As we started to expand into other parts of the country, we definitely saw a need to add to our capabilities.

“Teaming up with the St. Louis group is really working well because it gives us more access to independent agents throughout the country and allows us to play off each other’s expertise,” she says.

“Our background was strongly driven by the residential market in the western U.S.,” Vallette explains, “so there were a lot of general liability-only projects, whereas countrywide there are also projects that include workers compensation.” With the addition of the St. Louis group and their experience working with agents on wrap-ups for private commercial and residential as well as public projects, the team can now arrange workers compensation wrap-ups in all states that do not have a monopolistic system.

### Partners, not rivals

Although Wrap Up Insurance Solutions is wholly owned by Heffernan, the unit in no way competes with its partner agents for their owners’ or contractors’ insurance business.

“We understand the sensitivity of the agent or broker’s relationship with the client,” Billhartz says. “Our true competitors are national brokers; there’s no conflict of interest with Heffernan.

“For a wrap to succeed,” he says, “everyone has to win: the insurance company, the contractor, and the subcontractors. If one of those parties isn’t happy, it isn’t going to work.” ■

### For more information:

**Wrap Up Insurance Solutions**  
Web site:  
[www.trekadmin.com](http://www.trekadmin.com)

