

NIOSH Construction Insurance Webinar

Webinar 1: Setting the Stage: Insuring the Construction Industry—General Contractors versus Sub-Contractors: What’s the Difference?

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GLOSSARY OF TERMS

AI- Addition Insured

Additional Insured – A person or organization not automatically included as an insured under an insurance policy who is included or added as an insured under the policy at the request of the named insured. A named insured's impetus for providing additional insured status to others may be a desire to protect the other party because of a close relationship with that party (e.g., wanting to protect church members performing services for the insured church) or to comply with a contractual agreement requiring the named insured to do so (e.g., project owners, customers, or owners of property leased by the named insured). In liability insurance, additional insured status is commonly used in conjunction with an indemnity agreement between the named insured (the indemnitor) and the party requesting additional insured status (the indemnitee). Having the rights of an insured under its indemnitor's commercial general liability (CGL) policy is viewed by most indemnitees as a way of backing up the promise of indemnification. If the indemnity agreement proves unenforceable for some reason, the indemnitee may still be able to obtain coverage for its liability by making a claim directly as an additional insured under the indemnitor's CGL policy. In property insurance, additional insured status is most often used in conjunction with a premises lease agreement between the named insured as the lessee and the owner of the leased building, in which the insured tenant is required to purchase insurance on the leased building and name the building owner as an additional insured on the insurance policy with respect to the leased building.

CDI- Contractor Default Insurance

Designed as an alternative to bonding contractors, default insurance is first-party insurance that compensates the insured in the event a covered contractor or subcontractor fails to fulfill its contractual obligations. Insureds are required to develop and implement rigorous contractor prequalification procedures and to retain a percentage of losses. Generally, this coverage is best suited for large projects or large general contractors with a significant percentage of subcontracted work and established relationships with subcontractors.

CCIP- Contractor Controlled Insurance Program

The type of Controlled Insurance Program (CIP) is determined by the party that sponsors the wrap up. The owner of a construction project sponsors an Owner Controlled Insurance Program (OCIP), while a general contractor sponsors a Contractor Controlled Insurance Program (CCIP).

DCIP- Developer Controlled Insurance Program

A Developer Controlled Insurance Program (DCIP) is also similar to an OCIP but might not include WC; instead, a DCIP provides CGL, umbrella and excess mainly for protection against construction defect claims.

EMR- Experience Modification Rating

As respects workers compensation, the method in which the actual loss experience of the insured is compared to the loss experience that is normally expected by other risks in the insured's rating class. The resulting experience modification factor is then applied to the premium of the insured. In other casualty lines, the actual loss experience of the insured is generally compared to the actual loss experience of risks in the same industry to again develop a modifying factor for application to the insured's premium.

Experience Modifier

A factor developed by measuring the difference between the insured's actual past experience and the expected or actual experience of the class. This factor may be either a debit or credit and, therefore, will increase or decrease the standard premium in response to past loss experience. When applied to the manual premium, the experience modification produces a premium that is more representative of the actual loss experience of an insured. An employer with average experience has a modifier of 1.0 and would pay the manual premium. Employers with poorer loss experience would have modifiers greater than 1.00 and would pay more than manual premium. Those with good experience would have modifiers below 1.00 and pay less than manual premium.

NCCI- National Council on Compensation Insurance

An organization that collects workers compensation statistical data (such as premiums, exposure units, and losses), computes advisory workers compensation rating information, develops standard workers compensation policy forms, and files workers compensation information with regulators on behalf of insurance companies that purchase its services.

OCIP-Owner Controlled Insurance Program

An Owner Controlled Insurance Program (OCIP) or "wrap-up program" is a coordinated insurance program for construction projects. An OCIP, unlike traditional construction insurance coverage, provides eligible participants of a construction project with general liability coverage under one policy.

SDI- Subcontractor Default Insurance

See Contractor Default Insurance.