Controlled Insurance Program Overview

A Controlled Insurance Program ("CIP") involves the procurement by the Sponsor (Owner or General Contractor) of certain insurance policies protecting both the Sponsor and various contractors involved with the construction project rather than relying on individually purchased insurance policies. These types of programs are also commonly referred to as "Wrap-ups". The traditional policies involved in CIP's are Workers' Compensation, Commercial General Liability, Excess Liability and Builder's Risk.

The primary reasons sponsors use these programs are to attempt to reduce the insurance costs, enhance safety and claims handling and protect the sponsors' assets by ensuring that adequate limits are provided for the owner and all participating contractors in the event of a loss.

A CIP typically will include all contractors, subcontractors and other participants in the construction project. Architects and Engineers are often included as insureds but not for coverage of their professional liability. Suppliers are generally not included, as the intent of the CIP is to include only interests of firms that have on-site labor costs.

The pros and cons of using a CIP have been debated for many years. From the viewpoint of the Sponsor, the principal advantages of a CIP are:

- Lower insurance costs;
- Ensures coverage for all participating subcontractors;
- Focused loss prevention services;
- Coordinated medical treatment to handle injuries;
- The Sponsor controlling the project controls the claim handling procedures, possibly avoiding some public relations problems;
- Uniform, broad coverage with appropriate limits is assured without the necessity of securing certificates of insurance from many contractors involved in the project; and
- Increased MBE/WBE participation.