



COVERAGE THAT COUNTS:

Why Excess of Wrap Merits a Closer Look

In the world of construction, Excess of Wrap insurance coverage is gradually shifting from a simple formality for developers and general contractors to a valuable resource(asset) that demands careful evaluation.

Excess of Wrap is a liability coverage extension that may be applied to a contractor’s practice insurance program. The scope of coverage varies in the marketplace, but it typically provides excess coverage for the insured contractor’s liabilities within a wrap-up program. In some cases, it may also offer coverage for Difference in Conditions (DIC)

As project values soar, so does the potential value of claims, driven by factors including economic inflation and escalating weather-related risks.

Many project sponsors continue to underestimate the minimum liability limits required to properly protect contractors’ interests under wrap up programs. For example, a \$100 million commercial construction project (covered under a wrap up policy) may carry only \$10 million in excess liability limits,

when \$50 million or more may be more appropriate. Many insurance advisors recommend limits of at least 50% of the project value on commercial jobs and higher on residential jobs. The consequences of underestimating limits can be catastrophic – creating a coverage gap and financial ripple effect that can last years.

Meanwhile, contractor practice program insurers are adjusting their approach. Some are pulling back from the space – fragmenting tower structures – and employing stringent requirements when underwriting this Excess of Wrap coverage extension. For contractors, this means maintaining adequate and stable coverage can become increasingly complicated. At renewal, switching carriers or replacing lost capacity can be challenging.

The Hidden Costs of Inadequate Limits



Consider a \$1.5 billion mixed-use project spanning three city blocks. The owner built an insurance tower totaling \$202 million. Two years after project completion, significant defects surfaced, quickly exhausting their wrap’s available limits. The fallout was extensive: Liability demands beyond the wrap were apportioned to participating contractors, who had to rely on their own practice program’s Excess of Wrap coverage.

One major contractor involved had great difficulty securing coverage for future projects. Their loss history – now impacted by a large claim – led to higher premiums, reduced limits, and more restrictive terms. Many subcontractors, who typically have little input into limits purchased, found themselves caught in the same net.



In another case, a contractor on a university project had a \$200 million tower of liability protection. After a portion of the building collapsed, plaintiff's demands exceeded the available coverage. The general contractor asked all trades involved in the construction of the building to notify their Excess of Wrap carriers. Ultimately, the balance sheets – and insurability – of all involved took a direct hit.

A Matter of Stewardship



At the heart of the issue is a larger truth: Purchasing adequate Project-Specific Wrap Up limits is not just about protecting the primary policyholder, it's about stewardship. Project sponsors should consider the importance of protecting all enrolled parties from the cascading consequences of insufficient coverage and help facilitate the overall success and integrity of the project.

A Call for Careful Risk Assessment



Developers and general contractors must approach Excess of Wrap coverage with intention and recognize that their insurers are doing the same. Coming to the table with clear information on the scope, value, and limits purchased on all current and past projects enables underwriters to better assess risks and collaborate with insureds and their brokers to gauge adequate limits. It also lays the foundation for ample protection and a long-term relationship with the insurer that will serve them well as they seek stable and reliable Excess of Wrap protection year after year.

The Path Forward with Chubb



Chubb proactively addresses the challenges of Excess of Wrap coverage, working alongside our clients and brokers to build smart solutions tailored to each project's unique risk profile in today's construction environment.

As the risk landscape continues to shift, Chubb is committed to building stable, sustainable protection for project sponsors and contractors.



Project sponsors should consider the importance of protecting all enrolled parties from the cascading consequences of insufficient coverage and help facilitate the overall success and integrity of the project.

For more information on Chubb's Construction Industry Practice, please contact:

Gregg Pellegrini

Construction Industry Practice Leader,
gregg.pellegrini@chubb.com

Tyler Savage

Excess Construction – Major Accounts,
tyler.savage@chubb.com

To learn more about Chubb's Construction Industry Practice, [click here.](#)

Chubb is the marketing name used to refer to subsidiaries of Chubb Limited providing insurance and related services. For a list of these subsidiaries, please visit our website at www.chubb.com. Insurance provided by ACE American Insurance Company and its U.S. based Chubb underwriting company affiliates. All products may not be available in all states. This communication contains product summaries only. Coverage is subject to the language of the policies as actually issued. Surplus lines insurance sold only through licensed surplus lines producers. The material presented herein is advisory in nature and is offered as a resource to be used together with your professional insurance advisors in maintaining a loss prevention program. It is not intended as a substitute for legal, insurance, or other professional advice, but rather is presented for general information only. You should consult knowledgeable legal counsel or other knowledgeable experts as to any legal or technical questions you may have. Chubb, 202 Hall's Mill Road, Whitehouse Station, NJ 08889-1600.