

**SB91 Testimony / Support Presented to
Financial Institutions and Insurance Committee
By Lance Spence
USI Insurance Services, LLC
Wednesday, February 15, 2017**

Introduction

Chairman Longbine, members of the committee, good morning and thank you for the opportunity to speak today. My name is Lance Spence, and I am the operating company President for USI Insurance Services in Wichita, KS

USI is a national insurance brokerage and consulting firm with more than 140 local offices connected across the U.S. and an industry leader in risk management programs for the Design, Engineering, Construction and Real Estate industries. I am here today to support the proposal / testimony provided by Mr. Casebolt with Key Construction and provide additional expertise in this matter.

Following is an overview of the reasons / justification for use of a Wrap-up (OCIP/CCIP) insurance program on Kansas construction projects. The applications are very specific and provide extensive expansion of coverage as well as improved project delivery and public protection. However, due to the size and scope of typical Wrap-up program, deductibles and SIRs are often higher than a traditional contractor practice policy. It is understood that, while many subcontractors are not accustomed to these levels of retention, the higher deductibles are equitable and should be passed through to a responsible party for their contributory negligence in the event of a claim. This assumption of risk is supported by the benefit received for their ongoing operations and products and completed operations, specifically related to For Sale Residential and Multi-Family Commercial Use type projects.

CONTROL	CCIP	TRADITIONAL
Limits of Insurance	✓ Dedicated per Project Limits	✓ Shared Over Numerous Projects of the GC and Its' Subcontractors
Quality of Coverage	<ul style="list-style-type: none"> ✓ GC is Named Insured ✓ GC Controls Purchase and Coverage Terms Including Carrier Selection ✓ Program Provides Completed Operations For Statute Of Repose or 10 Years, Whichever Is Less ✓ Minimizes Anti-Indemnification Laws and Related Issues ✓ Please Note That If a GL Only Wrap-Up is Not Used, Most, If Not All, of the Contractors Will Have Residential Exclusions On Their GL Policies 	<ul style="list-style-type: none"> ✓ Additional Insured Status Varies ✓ Contractor Limits Are Potentially Inadequate ✓ Typically Provides a Max of 2 – 3 Year Products/Completed Operations Per The GC

Stability	<ul style="list-style-type: none"> ✓ Carrier Rights to Cancel Mid-Term Are Extremely Limited 	<ul style="list-style-type: none"> ✓ Will Vary By Project/Contractor and Their Insurance Carrier
Business Advantages	<ul style="list-style-type: none"> ✓ Allows GC To Implement On Smaller Projects Especially When The Owner Cannot Provide Project Specific Coverage Or Meet Lender Requirements ✓ Assures Lender Insurance Requirements Compliance ✓ Minimizes Need To Track GL & Excess Liability Certificates For On-Site Exposures 	<ul style="list-style-type: none"> ✓ Ease Of Doing Business Based On Normal Procedures
Claims Management	<ul style="list-style-type: none"> ✓ One Insurer Pays All Claims ✓ GC Controls Claims Process 	<ul style="list-style-type: none"> ✓ Potential Cross-Suits and Litigation

PUBLIC RELATIONS	CCIP	TRADITIONAL
MBE/WBE Participation	<ul style="list-style-type: none"> ✓ GC Controls 	<ul style="list-style-type: none"> ✓ Potential Barriers-Minimum
Response to Claims	<ul style="list-style-type: none"> ✓ GC Controls & Handled by One Carrier 	<ul style="list-style-type: none"> ✓ Potential Delays Due To Multiple Carriers
Prevention of Accidents	<ul style="list-style-type: none"> ✓ Project Specific Safety Plan As Required By GC ✓ GC Uses Own Staff for coordination and project protection 	<ul style="list-style-type: none"> ✓ Coordination Can Be Cumbersome

GENERAL LIABILITY	CCIP	TRADITIONAL
Limits	<ul style="list-style-type: none"> ✓ Typically- Project Dedicated 	<ul style="list-style-type: none"> ✓ Shared
Premises Liability	<ul style="list-style-type: none"> ✓ Yes 	<ul style="list-style-type: none"> ✓ Yes
Products/Completed Operations	<ul style="list-style-type: none"> ✓ Varies By GC ✓ CCIP Typically Provides 10 Years Or Statute Of Repose, Whichever Is Less 	<ul style="list-style-type: none"> ✓ Will Vary By Contractor and Carrier
Named Insureds	<ul style="list-style-type: none"> ✓ Automatic for All Entities 	<ul style="list-style-type: none"> ✓ GC Is Additional Insured Only
Cancellation Endorsement	<ul style="list-style-type: none"> ✓ Restricted To Non-Payment Of Premium And Arbitration Board 	<ul style="list-style-type: none"> ✓ Will Vary By Contractor and Carrier
Notice of Occurrence	<ul style="list-style-type: none"> ✓ Broad 	<ul style="list-style-type: none"> ✓ Could Deny Coverage
Waiver of Subrogation	<ul style="list-style-type: none"> ✓ Included 	<ul style="list-style-type: none"> ✓ Must Be Requested On a Specific Basis & Confirmed By GC
Contract Railroad Liability	<ul style="list-style-type: none"> ✓ Covered By Contract 	<ul style="list-style-type: none"> ✓ Excluded

For-Sale Residential	<ul style="list-style-type: none"> ✓ Will Be Negotiated & Covered If Exposure Exists ✓ GC Sponsor Can Also Negotiate Separate GL Only 	<ul style="list-style-type: none"> ✓ Typically Is Excluded. ✓ Usually GC Sets Up Single Purpose Entity To Avoid This Exposure If Required By Contract. ✓ GC Needs To Procure GL Only Wrap-Up To Provide This Coverage.
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EXCLUSIONS	CCIP	TRADITIONAL
Damage to Your Work	Included under CCIP Program	Typically Excluded
Asbestos	Excluded	Excluded
Mold/Fungus	Excluded	Excluded
Pollution	Excluded except for Hostile Fire	Excluded
Nuclear Energy	Excluded	Excluded
Employment Practices Liability	Excluded	Excluded
Engineers' and Architects' Liability	Excluded	Excluded
Fellow Employees	Included for Supervisors	Excluded
EFIS Exclusion	Excluded	Excluded