



DBH
RESOURCES, INC.

3415 S. Sepulveda Blvd., Suite 900
Los Angeles, California 90034
Tel. 310.398.5697 • Fax 310.398.2968
www.dbhresources.com

WRAP-UP INSURANCE PROGRAM FREQUENTLY ASKED QUESTIONS (FAQS) - SATICOY VILLAGE APARTMENTS -

WHAT IS A WRAP-UP INSURANCE PROGRAM?

A Wrap-Up Insurance Program ("Wrap-Up Program") is a single insurance Program Policy purchased by a Project Owner or Contractor. It covers all eligible and enrolled construction participants for covered work performed on a designated construction Project or projects.

WHAT COVERAGE IS PROVIDED UNDER THE PROJECT'S WRAP-UP PROGRAM?

The Wrap-Up Program provides general liability and excess liability coverage for the Project and no other project. The insurance provided covers general liability exposures only. It does not cover workers' compensation, employers' liability, automobile liability, contractor's equipment, professional liability, pollution liability or property insurance coverages.

Enrolled subcontractors are still required to provide proof of their own general liability insurance for work performed away from the Project site in accordance with their written contract with the Owner and/or Contractor. The Wrap-Up Program manual for the Project provides details on how to ensure contractual compliance with these provisions.

WHY DOES THE OWNER/CONTRACTOR WISH TO USE A WRAP-UP PROGRAM?

The driving force behind the Owner/Contractor's decision to implement a Wrap-Up Program for the Project is to provide a much more economic and efficient method to handle any covered general liability claims arising out of the Project.

WHY IS A WRAP-UP PROGRAM MORE EFFECTIVE IN DEFENDING CONSTRUCTION DEFECT CLAIMS?

The Wrap-Up Program provides a unified response to a claim. The Carrier provides a single defense team to defend the interests of the Owner/Contractor and any enrolled construction participant. As you may be aware, litigation against attached housing projects, as well as with projects that have Homeowners' Associations, has become almost an epidemic and every Subcontractor who works on such projects gets drawn in to the suit, regardless of whether or not they were responsible for any damage.

In a non-Wrap-Up Program claim, each Subcontractor has its own general liability policy that must respond to the claim and provide for a separate defense even if that Subcontractor is ultimately found blameless. This delays settlements and creates additional expenses in the form of deductibles, legal fees and increased insurance rates. It can also create an adversarial relationship between the Owner/Contractor and the Construction Participants when their interests should be aligned to defend against plaintiff allegations.

WHAT ARE THE COVERAGE ENHANCEMENTS PROVIDED BY THE WRAP-UP PROGRAM?

The Wrap-Up Program provides the following coverage that is not readily available to most Contractors and Subcontractors:

- The coverage period is for the construction period of the Project, plus the products/completed operations coverage is extended for the duration of any applicable statute of repose, so long as limits exist.
- There is no exclusion for attached housing.
- Coverage is provided for third-party bodily injury and property damage arising from an enrolled Subcontractors' work, subject to the terms and conditions of the policy.
- Higher coverage limits than most individual Subcontractors can afford to purchase on their own.

While not a specific coverage enhancement, the fact that all enrolled construction participants have the same coverage is the true benefit of the Wrap-Up Program. The Owner/Contractor can be confident that all enrolled construction participants meet appropriate insurance requirements.

WHAT LIMITS OF COVERAGE WILL BE PURCHASED FOR THE WRAP-UP PROGRAM?

Policy Limits:

\$1,000,000 / \$2,000,000 / \$1,000,000
\$2,000,000

Carrier:

Arch Specialty Insurance Company
Everest National Insurance Company

IS THERE A DEDUCTIBLE THAT APPLIES TO THE ENROLLED SUBCONTRACTORS?

Please check your contract for information on the deductible requirements concerning during and after construction.

WHO PAYS FOR THE WRAP-UP PROGRAM COVERAGE?

Saticoy Realty Investments, LLC pays the Wrap-Up Program premium to the Carrier. However, since the Owner/Contractor is providing general liability coverage to all enrolled construction participants, and to help offset some of this cost, each and every enrolled construction participant may be required to contribute toward the Wrap-Up Program premium.

Subcontractors will be asked to submit bids **including** general liability insurance costs **with a line item** for general liability insurance credit the Subcontractors would normally pay to their own insurance carriers. While it may be that a Subcontractor's own general liability policy excludes projects of this type, for bidding purposes all Subcontractors should submit their bids as if they do not have these exclusions. The Owner/Contractor or its representative may verify the insurance credit identified in each bid. If the Owner/Contractor determines the insurance credit was calculated incorrectly, the Owner/Contractor will make any necessary adjustments to the Subcontractor's contract price. If the insurance credit was not identified as a line item, an insurance credit will be taken from the Subcontractor as a reduction from the Subcontractor's contract price.

HOW WILL THESE INSURANCE CREDITS BE IDENTIFIED AND REALIZED?

Subcontractors will be asked to identify the insurance costs they would normally pay to their own general liability insurance carriers. DBH Resources (on behalf of the Owner/Contractor) will then

calculate the percentage of the insurance credit due from each Subcontractor. The Owner/Contractor will then use this amount as a basis for determining the Subcontractor's contribution toward the Wrap-Up Program premium.

WHO IS DBH RESOURCES, INC.?

The Owner/Contractor has hired DBH Resources as the Wrap-Up Program Administrator for the Project. DBH Resources is administering the Wrap-Up Program, which includes working with construction participants on the Project to help them understand this type of Program. DBH Resources will issue Certificates of Enrollment and informational materials. DBH Resources is also available to answer any questions you may have.

CAN I RELY UPON THESE FREQUENTLY ASKED QUESTIONS (FAQS) FOR ADVICE REGARDING THIS PROGRAM POLICY?

No. This guide is meant only as an overview and is not intended to change in any way or explain any coverage provided by the Program Policy. You are expressly advised to read the Program Policy yourself and seek advice from your own insurance and legal advisors. Although Brown and Brown is the insurance broker for this Program; they are acting on behalf of the Owner/Contractor and not on behalf of any other construction participant of this Project. You should consult your own advisors to assist you in understanding your rights, coverage, limits of insurance, and obligations under the Wrap-Up Program.

WHAT ARE THE BENEFITS OF PARTICIPATING IN THE WRAP-UP PROGRAM?

By participating in the Wrap-Up Program, you are not required to buy additional insurance or completed operations coverage for your work on this Project (unless you decide to buy such insurance). In addition, you may be receiving broader coverage than what you currently have, depending on the Program Policy purchased. Today many Subcontractor policies exclude coverage for work performed when a Homeowners' Association is in place. The Program Policy does not have this exclusion. Another advantage to the Wrap-Up Program is that time-consuming and frustrating litigation between the Owner, Contractor, and Subcontractors should be reduced significantly. Claims by homeowners will be fought on a unified basis and more economically with one attorney representing all enrolled construction participants.

WHAT IF I USE SUB-TIER CONTRACTORS?

As set forth in the contract documents, all Sub-tier Contractors must be approved by the Owner/Contractor and are subject to the provisions of the Wrap-Up Program. All Subcontractors gaining access to the Project site must also be enrolled in the Wrap-Up Program prior to commencing work. It is your responsibility to make sure your Sub-tier Contractors are enrolled. There are no exceptions. DBH Resources will assist you in maintaining compliance with this Policy requirement.

ARE MATERIAL SUPPLIERS OR EQUIPMENT RENTAL COMPANIES COVERED BY THE WRAP-UP PROGRAM?

If any supplier or renter of equipment provides labor on the Project site other than unloading material or equipment, they must be enrolled in the Wrap-Up Program. You are responsible for making sure that any such material or service supplier either be enrolled in the Wrap-Up Program or provide you and Owner/Contractor with additional insured endorsements. Please contact DBH Resources for enrollment forms or for further details.

CAN I STILL GET SUED ON THIS PROJECT?

It is possible. As pointed out in your subcontract agreement, you still have indemnity obligations to Owner and to Contractor. If you fail to perform your subcontract agreement in an appropriate or timely manner, Owner/Contractor can still hold you accountable. If there is some loss not covered by the Wrap-Up Program, such as a call-back or warranty item, you will still be required to fulfill all of your contractual obligations. The Wrap-Up Program changes only the insurance coverage for the Program Policy's covered claims. We still expect strict adherence to construction standards and practices.

WHAT HAPPENS IF THERE IS AN INJURY OR CLAIM?

As set forth in the Project's Wrap-Up Insurance Program manual, all claims (even if they are not covered by the Wrap-Up Program Policy) must be reported within 24 hours to the on-site Project Manager's office, as well as to the Owner/Contractor, using the ACORD Form – General Liability of Occurrence/Claim. (This form can be found in Section 7 of your Wrap-Up Insurance Program manual for the Project.) It is imperative that all safety and claims experiences on this Project site are documented and reported to the appropriate parties. If you are sued for something you believe is covered by the Program Policy, immediately turn in the claim to the on-site Project Manager's office and to the Owner/Contractor.

HOW WILL I KNOW THAT I AM ENROLLED IN THE WRAP-UP PROGRAM?

The Owner/Contractor will notify DBH Resources when your contract has been awarded. At that time, DBH Resources will issue a Certificate of Enrollment for your organization as evidence of enrollment in to the Wrap-Up Program. At that time, you will go through a two-step process:

- 1) An Insurance Credit Worksheet must be filled out and returned to DBH Resources along with the declaration and rate page of your current commercial general liability insurance policy.
- 2) Next, you must sign and return an Insurance Credit Confirmation to DBH Resources agreeing to your contribution towards the Wrap-Up Program premium.

All of these documents will be provided to you by DBH Resources.

WHO SHOULD I CALL IF I HAVE QUESTIONS?

If the questions pertain to the Wrap-Up Program administration and enrollment procedures please call your Premium Allocation Associate, Andrew Phillips, at DBH Resources (Program Administrator) toll-free at 877.222.4777.