



THE
Art
OF RISK

The Various Hues of an OCIP an Owner's Perspective

Presented by:

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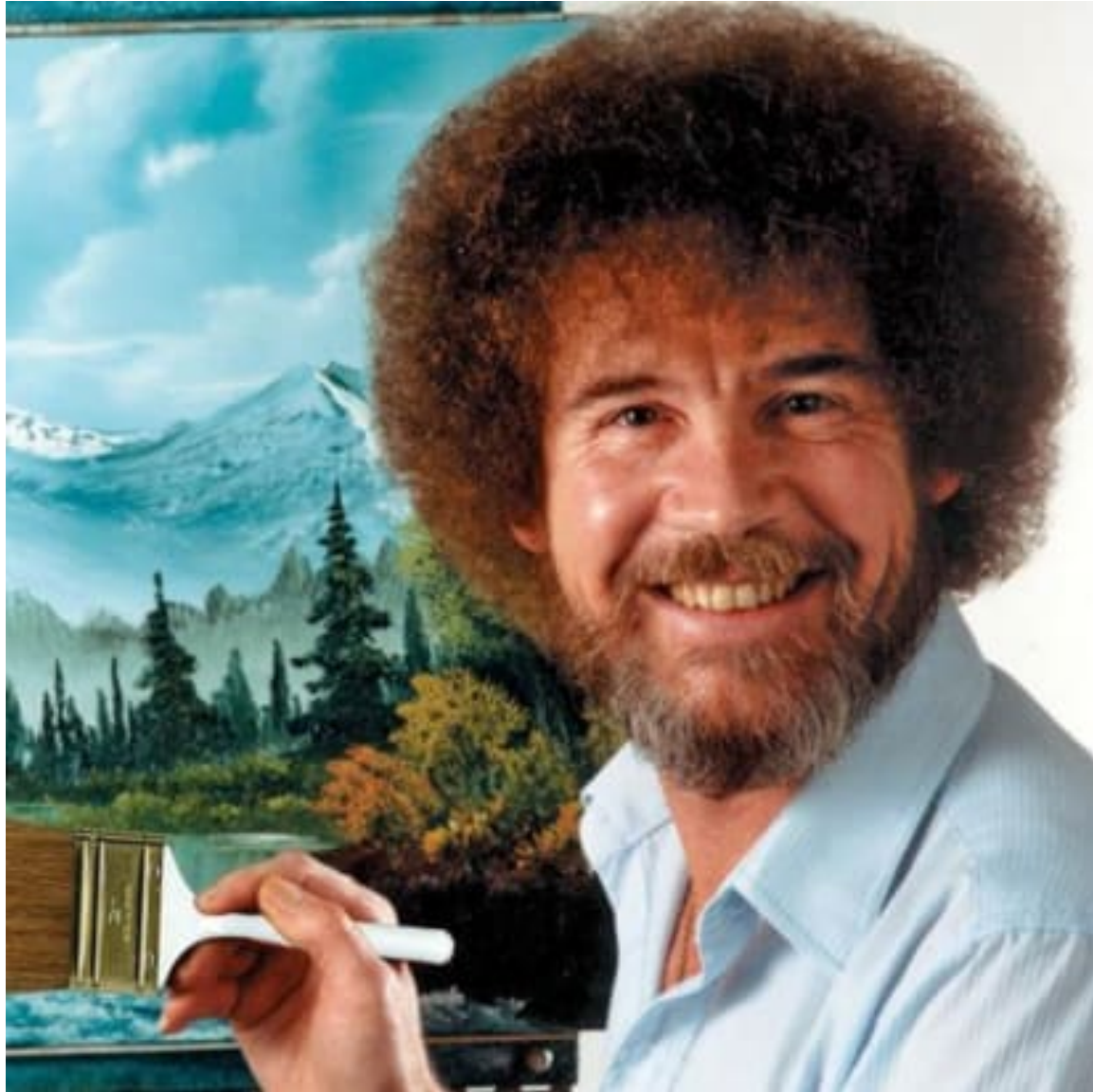
Agenda

- OCIP Basics
- OCIP Benefits and Challenges
- Roles within an OCIP
- Functions within an OCIP
- Sum Up
- Questions

Catherine: The Skeptical Bob



Karen: The Adventurous Bob



OCIP Basics

- Owner Controlled Insurance Programs (OCIP), also known as “wrap-ups” are widely used on public and private sector construction projects and capital improvement programs
- Through an OCIP, the owner of a construction project provides general liability and workers’ compensation for all enrolled parties from the public entity to the general contractor and subs of every tier.
- OCIPs can be utilized on a single project with a construction value of \$125M or multiple projects that combined in a rolling OCIP program with a minimum total of \$50M (Government Code 4420 and 4420.8)

OCIP Basics – Gov Code 4420

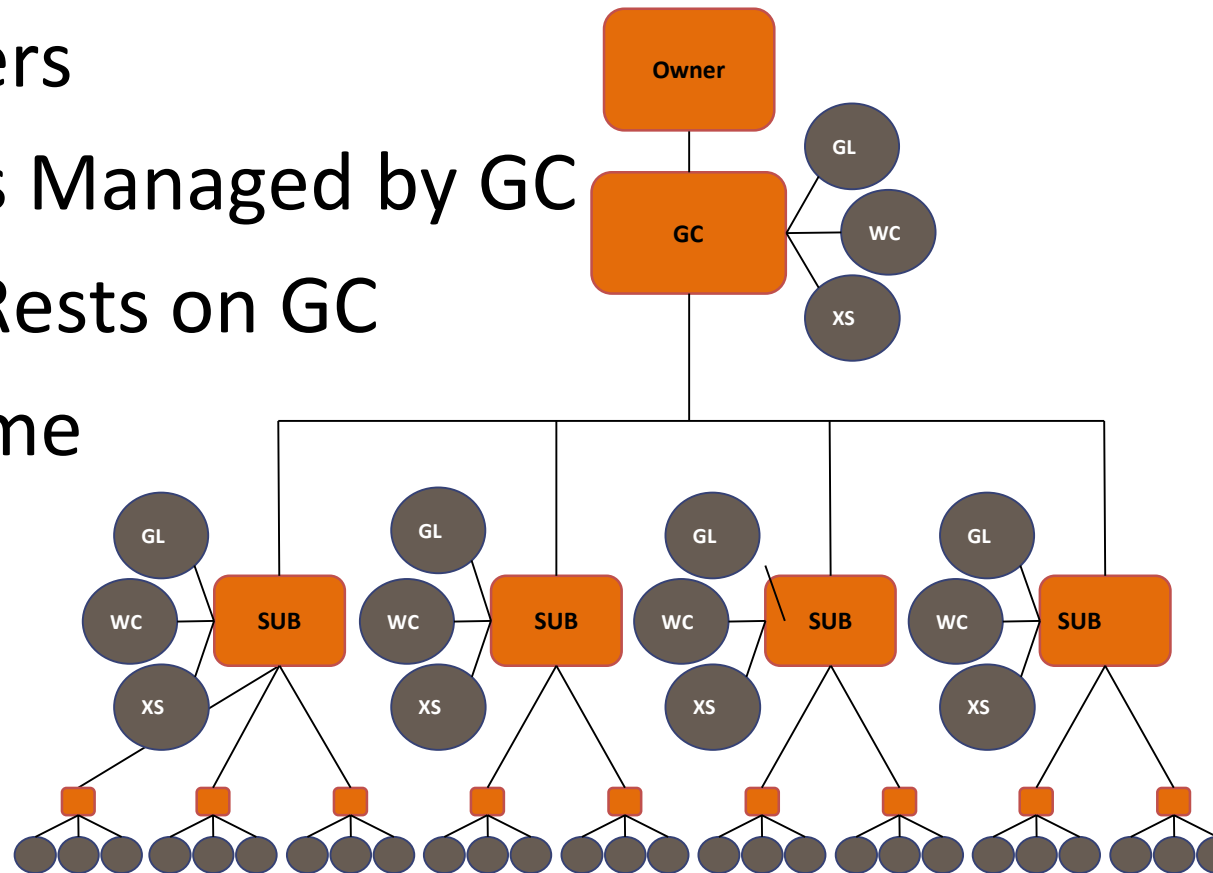
- Prospective bidders, including subs, meet minimum occupational safety and health qualifications:
 - Serious and willful violations during past 5 years
 - Contractor's ex-mod
 - Contractor's IIPP
- Minimize the expenditure of public funds on the project in conjunction with the exercise of appropriate risk management
- The program maintains completed operations coverage for a minimum of three years
- Bid specifications clearly specify for all bidders the insurance coverage provided under the program and minimum safety requirements

Hmmm Contemplations

- Unfair and Coercive Insurance Requirements
- Duplicative coverage
- Savings not proven
- Expand contractor pool
- Safer?
- Multiemployer Cal/OSHA liability
- Construction liability
- Staffing

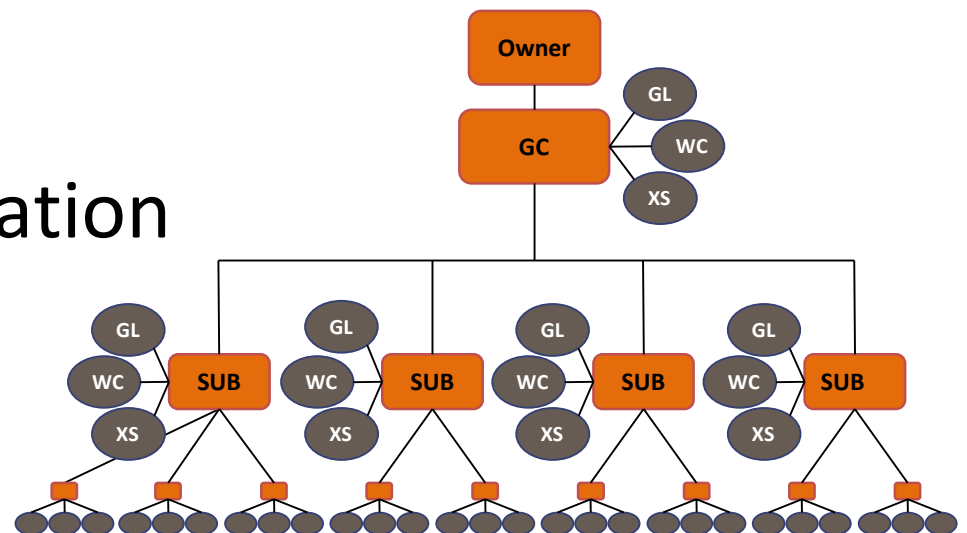
Traditional Approach

- ❑ Typically Managed by General Contractor
- ❑ Multiple Insurers
- ❑ Subcontractors Managed by GC
- ❑ Chief Liability Rests on GC
- ❑ Skin In The Game

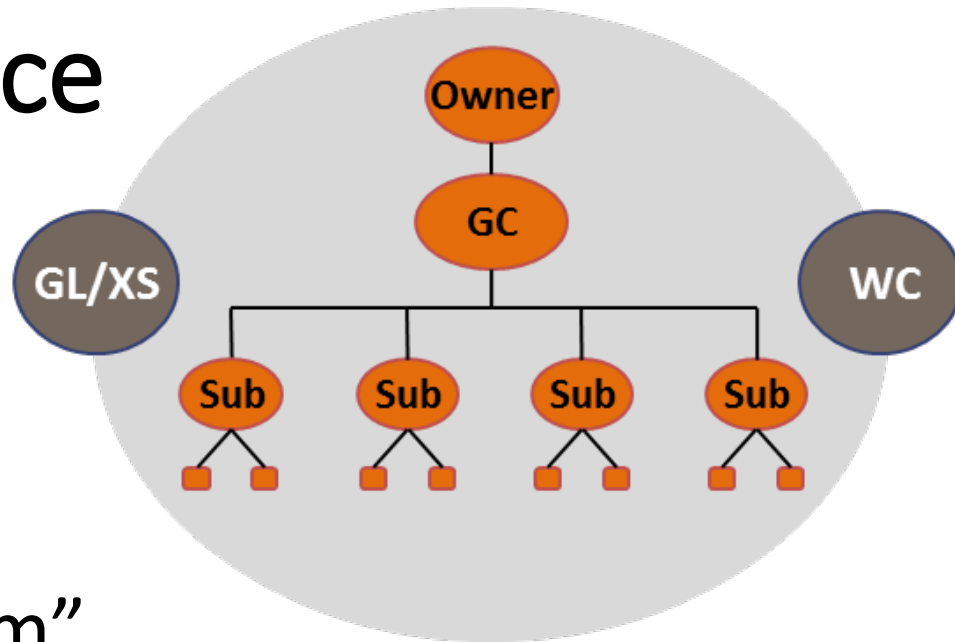


Traditional Approach - Problems

- ❑ Multiple Insurers = more players
- ❑ Inadequate Limits
- ❑ Potential Gaps in Coverage
- ❑ Potentially Uninsured Subcontractors
- ❑ Cross Litigation Between Contractors
- ❑ Indemnity Issues
- ❑ Contract Administration

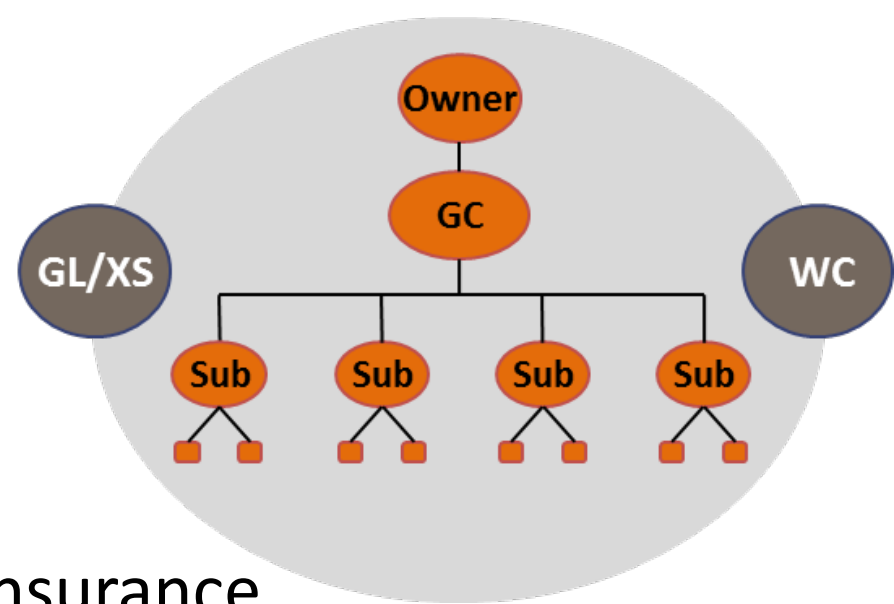


Controlled Insurance Approach



- ❑ One “Insurance Program”
- ❑ Sponsored by Owner or GC – OCIP or CCIP
- ❑ Consistent Coverage Across Contractors
- ❑ One Administration Function
- ❑ Puts Everyone On Same Team

CIP Solution



- ❑ Control
- ❑ Cost Reduction
- ❑ Elimination of Redundant Insurance Costs and Associated Contractor Mark-up
- ❑ Higher Coverage Limits
- ❑ Consistent Coverage Across Contractors
- ❑ Specialized/Coordinated Claims and Loss Control
- ❑ Minimize Cross Litigation/Subrogation
- ❑ Public Relations Advantages
- ❑ Allows for a Larger Qualified Contractor Pool
- ❑ Allows for More Small, Local Contractor Participation

CIP Is NOT The Magic Answer

- Significant administrative burden
- Cost savings are not guaranteed
- Contractors have less skin in the game
- Greater liability for owner
- Onsite administration, loss control and safety are increased
- Potential resistance from contractors
- Multi-employer worksite liability

Feasibility Analysis

- The project and its risk exposures (scope, time, cost)
- The sponsors specific goals and ability to achieve
- Sponsor's knowledge, experience, ability
- Sponsor's risk tolerance
- Insurance market conditions
- Construction market conditions
- Scope of coverage

(Karen's equipment lesson)

Sponsor Goals

- Certainty of coverage
- Improved limits
- Streamlined administration
- Ability to use small contractors
- Completion on time
- Completion on budget
- Ease of project close-out
- Lower project cost
- Improve project safety
- Reduce project losses
- Reduce cross litigation
- Efficient claims resolution



CIP Coverage Determination

- Worker's Compensation
- General Liability
- Construction All-Risk/Builder's Risk
- Professional Liability/Pollution
- Completed Operations
- Construction Defect
- Equipment
- Marine
- Delay

OCIP Timeline

ACTION	DAYS TO IMPLEMENT	CUMULATIVE TOTAL DAYS
PERMISSION TO PROCEED		
PRELIMINARY RFP PREPARATION	21	21
ISSUE RFP	7	28
BROKER BIDDER'S CONFERENCE*	7	35
BROKER RESPONSES RECEIVED	21	56
BROKER INTERVIEWS*	14	70
BROKER SELECTION	10	80
NOTICE OF BROKER SELECTION	1	81
CONTRACT AWARD	7	88
BROKER CONTRACT SIGNED	7	95
DOCUMENTS TO LEGAL	30	125
SUBMISSION TO CARRIERS	10	135
CARRIER RESPONSES RECEIVED	21	156
CARRIER INTERVIEWS	14	170
CARRIER SELECTION	7	177
NEGOTIATION OF TERMS & CONDITIONS	7	184
COVERAGE AVAILABLE FOR BINDING	16	200

OCIP Roles – Risk Manager

- Work with Project Director
 - Timeline
 - Project Details
 - Feasibility
 - Preliminary Budget
- Amend bid docs
 - State purchases insurance
 - Contractor remove insurance cost from bid
 - Provide information for insurance procurement
 - Provide safety requirements
 - SIP program

OCIP Roles – Risk Manager

- Broker RFP development
- Scoring proposals and broker selection
- Selection of insurance carrier
- Participate in rollout meetings
- Manage broker contract by:
 - Quarterly Claims meetings/or as necessary
 - Review/approve claims in excess of \$25k
 - DVBE requirements
 - Annual Stewardship reports

Risk Manager – Lessons Learned

- RFP Issues:
 - Minimum Qualifications
 - Scope of Work
 - Safety
 - Specifically identify the amount required
 - Specifically identify the experience required for boots on the ground personnel
 - Specifically identify who is responsible for site-safety
 - DVBE – Commercially Useful Function
 - Cost Proposal - Clear and concise

Risk Manager – Lessons Learned

- Policy Procurement
 - Reviewing the Financial Terms and Conditions
 - Reviewing coverage –
 - Loss Sensitive vs. Guaranteed Cost
 - Limits – are they shared?
 - Carrier's willingness to work with you
 - Carrier's willingness to extend policy term
 - Who is handling claims – (if loss sensitive program)
 - How are audits handled?

Project Manager's Role

- Early involvement with Risk Manager
- Need project specifics:
 - Timeline
 - Type of project
 - CV
 - Location
 - Safety (dedicated hours)
 - Incentive Programs

Project Manager's Role

- Participate in Broker Outreach Meeting
- Participate in Insurance Carrier Meeting
- Participate in Kick-off Meeting
- Claims (as needed)
- Final audit
- Keep Risk Manager advised of:
 - Changes in project
 - Location changes

Project Manager – Lessons Learned

- Most do not want to be involved
- Get projections for CV/payroll early for feasibility study as some projects are not suited for OCIPs. (equipment example)
- Claims – PM assistance usually required on GL claims
- Final Audit – Navigating through change orders
- With Loss Sensitive program – Savings are realized well after project closeout.

Broker's Role

- Adhere to Broker Contract
- Provide Underwriting Information to Carrier
- Bind Coverage
- Conduct Quarterly Claims Review
- Enroll Contractors
 - Obtain Certificates of Insurance
 - Get Payroll Data
 - Provide Certificates to Enrolled Parties
- Provide Annual Stewardship Reports

Broker's Role

- Owner's Advocate for:
 - Claims
 - Coverage
- Oversight of Mandated DVBE participation
- Provide Onsite Safety at Requested Hours
- Oversight of Audit
- Active in OCIP Closeout

Brokers – Lessons Learned

- Not all brokers are created equal
- Over-emphasis on skills, abilities
- Not all will advocate for you
- Compensation – From carrier? Other affiliates?
- Cutting corners on loss control
- DVBE – Not meeting the requirement
- OCIP closeout

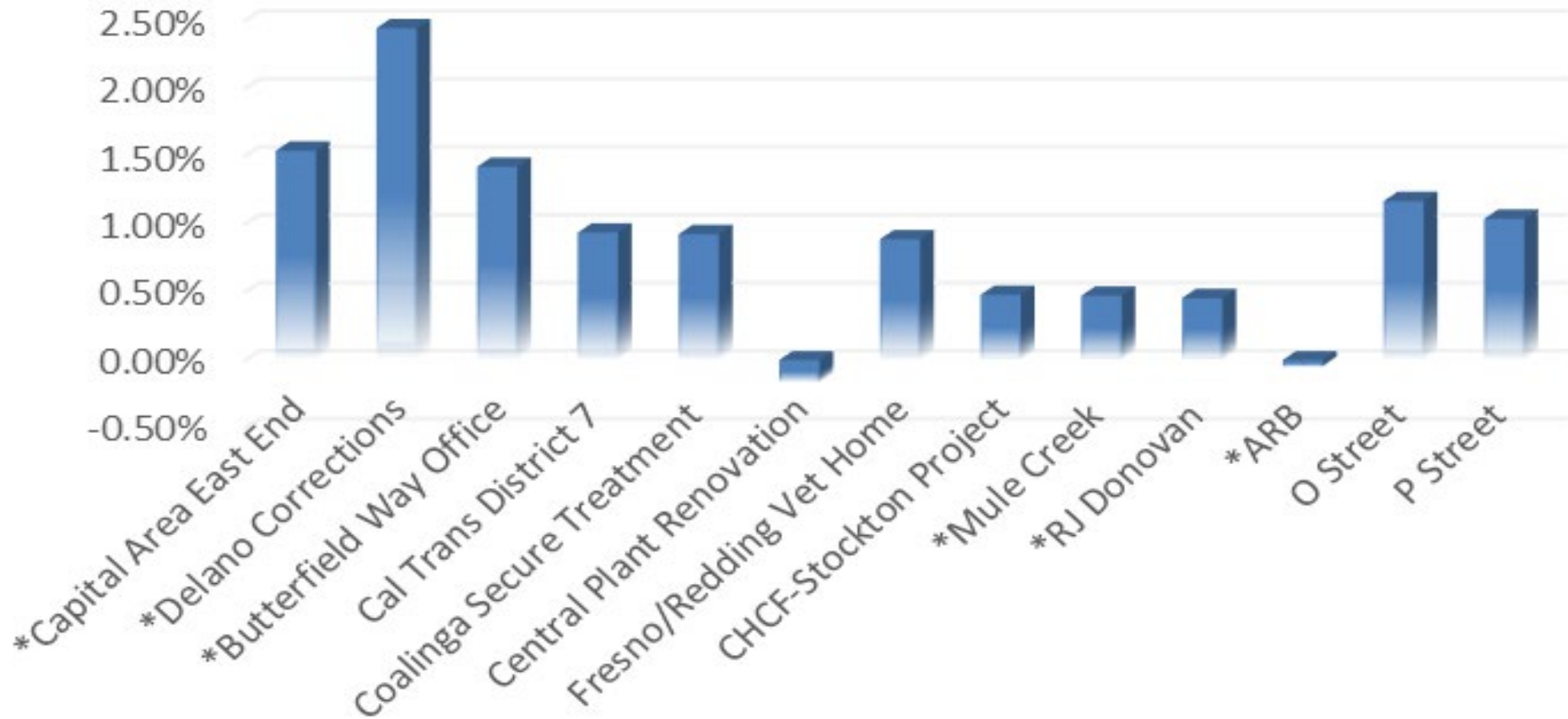
Coverage – Lessons Learned

- Construction defect statute of limitation vs project coverage expiration
- Guaranteed cost coverage vs loss sensitive
- Rolling CIPs can have shared limits
- Set deductible levels for subcontractors

Advantages

Cost Savings - \$25 Million in savings = .84% of CV

% OF SAVINGS



Parting Thoughts – The Up Side

- Better coverage
- More control
- Higher limits than a traditional insurance program
- Potential for greater DVBE or small business participation
- Additional Insured advantage
- Reduced litigation costs
- Project cost savings (possibly)

Parting Thoughts – The Down Side

- **Increased** administrative burden
- Savings is not a guarantee
- Cash flow can be problematic
- Coverage challenges/gaps
- Broker challenges



Sum Up ...

Those OCIP lessons are just happy accidents! NOT



A man with a large, curly afro hairstyle and a beard is smiling while painting a landscape on a canvas. He is wearing a light blue button-down shirt and holding a paintbrush. The painting depicts a scenic landscape with a lake, a waterfall, a forest of evergreen trees, and snow-capped mountains under a blue sky with clouds. The text "Ever Make Mistakes in OCIP?" is overlaid at the top of the image.

Ever Make Mistakes in OCIP?

Lets Make Them Birds,
Yeah, They're Birds Now



Sum Up ...

If you must CIP, Do a CCIP!



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**Questions?
Thank You!**





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