



OCIPs Explained

CASF Safety Committee recently held a session to discuss Owner-Controlled Insurance Programs (OCIP). The meeting was chaired by Rick Schuerger of John Moriarty & Associates of Florida, Inc. The presentation also featured expert advice from Stewart Martin from Seitlin Insurance and George Guffey from John Moriarty & Associates of Florida, Inc.

What Is OCIP?

Owner-controlled insurance programs (OCIPs) are a type of wrap-up, an increasingly popular insurance procurement option that allows coverage for multiple insured to be bundled into one consolidated program. OCIPs are typically used on very large construction projects involving many contractors and subcontractors. They provide an owner with certain cost savings; as well, they offer some advantages for the contractors and subcontractors working on the project.

Construction financial managers should familiarize themselves with these programs in order to ensure that their companies are adequately protected when they choose to bid on and/or participate in an OCIP. An OCIP is a wrap-up under which a project owner provides insurance coverage to contractors and subcontractors. OCIPs comprise about 90% of the wrap-up programs currently being performed in the U.S. Another type of wrap-up is a

contractor-controlled insurance program (CCIP), under which the general contractor is the sponsor.

The Purpose of OCIP

- ◆ Broader coverage and higher limits
- ◆ Multi-year rate commitment from carrier
- ◆ Uniform safety/loss control
- ◆ All parties interests are aligned
- ◆ Potential cost-savings (Profit Center)

Why OCIPs Now?

OCIPs have been around for more than 40 years; however, within the last decade, there has been a proliferation of this type of insurance program on construction projects throughout the U.S. and abroad.

Who & What Is Included?

- ◆ An OCIP can be site-specific or it can be for multiple job-sites. Most OCIPs are multi-year programs with a fixed duration. For large construction projects, the most common duration is two to five years. And, the OCIP normally applies to all contractors and subcontractors performing work at the project jobsite.
- ◆ The insurance coverage most commonly included in an OCIP are workers' compensation (workers' comp), employers liability, commercial general liability (CGL), and excess/umbrella liability. In addition, an OCIP can include builder's risk, professional liability for design professionals, and environmental liability insurance coverage.

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Member News

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Moss & Associates recently completed the building renovation for Leon Medical Centers' Kendall Medical Facility. The 70,000 square foot \$10 million project was completed 90 days after receipt of the building permit by working around the clock, seven days a week.



Kendall Medical Facility

The facility features 20 exam rooms, an optical and podiatry center, a CT Scanning suite, Ultrasound and Echo facilities, an Urgent Care center, Labs and Diagnostic rooms, a Dental area and various nurse stations.

D. Stephenson Construction is currently doing work on a \$4.4 million project at the Ft. Laud./ Hollywood International Airport to rehabilitate the three concourses. They are providing labor, materials, equipment, services and incidentals for the rehabilitation of aprons for Concourses D, E, and F and pavement adjacent to and around the concourses at FLL.



Ft Laud/Hollywood Airport

Construction of the \$100 million Miami Central Station, the heart of the Miami Intermodal Center, will be done in two phases. Work on the west concourse is expected to begin in May 2010 and end in April 2012, while work on the east concourse is expected to begin in July 2010 and wrap up in early August 2012.



Miami Central Station

Painting & Waterproofing Contractor with Durability

Each month Construction FOCUS features a CASF member company, selected by drawing a business card from among those attending the monthly networking breakfast. The next breakfast, sponsored by Turner Construction Company, will be held on Thursday, January 21, 7:30 a.m. at Shula's Hotel in Miami Lakes.

Founded by Todd W. Gallo in 1994, TWG Enterprises serves the South Florida commercial/industrial development and renovation industries.



TWG Enterprises

TWG Enterprises is a licensed, insured and bondable painting and waterproofing contractor with more than 15 years of experience and professionalism, along with a staff of highly qualified painters, supervisors, and product application experts. Located in the heart of South Florida and servicing the entire state, TWG Enterprises is a family-owned and operated business that takes pride in providing customer satisfaction throughout the entire project lifecycle. They have a commitment and history of establishing long-term relationships that help ensure

that their customers have a dedicated partner in delivering success. Their philosophy of seeking constant improvement and the continuing education of their workforce in the evolving technology of the painting industry also ensures that customers not only get quality products and services, but a lasting durability at the highest level. Their reputation of delivering on time and on budget with the guaranteed results their customers expect is how they consistently set new industry standards.

"Since our inception in 1994, TWG has strived to provide the highest level of customer service with a Commitment to quality. Since then, we have grown from a one man operation and now we have near one hundred quality painters at our busiest times and full office staff. These relation-

ships that we have built help us to survive during these difficult economic times." said Todd W. Gallo

The core of their business has always been the application of indoor and outdoor high performance paint and wall-covering products.

Since South Florida's climate is obviously hard on buildings, TWG Enterprises knows how important it is to utilize a protective climate and waterproof barriers. TWG Enterprises helps customers maximize their investment and keep properties looking great with a long-lasting waterproofing application. They also are highly experienced with protecting buildings and commercial facilities from the potentially hidden dangers lurking in the concrete structures. They specialize in restoring and certifying the strength and structural integrity of buildings in accordance with Florida's strict building codes. Their preventive maintenance program is one of the best solutions against more costly restorations down the road.

"Since becoming a member of CASF, not only do we have better access to the contractors we already work with, but it's given us greater access to companies we may never have had opportunities with otherwise. By increasing our visibility within the industry, we've increased our earning potential greatly," Todd said in conclusion.

TWG Enterprises is located at 605 SE 1st Avenue - Suite H - Delray Beach, FL 33444. For more information, call 561-276-5440, or visit their website at www.twgenterprises.com.

CONSTRUCTION ASSOCIATION of South Florida

2929 North West 62nd Street, Ft. Lauderdale, FL., 33309

Phone: 954-974-6333; FAX: 954-974-6633

info@casf.org

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Construction Focus is the official publication of the Construction Association of South Florida. Article suggestions and submissions for publication consideration should be forwarded to the Executive Vice President.

OCIPs

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Who & What Is Excluded

- ◆ If the majority of a contractor's work is performed away from the project site, the contractor may be excluded from the OCIP. An OCIP should also exclude contractors with a contract amount below a certain threshold.

- ◆ Commercial auto liability coverage is usually excluded due to the difficulty of controlling/verifying losses. If included, such coverage could negatively impact OCIP savings.

Advantages &

Disadvantages for Owners

- ◆ The ability to obtain broader insurance coverage with higher dedicated limits for contractors, which ultimately provides better protection for an owner.

- ◆ Potentially lower construction costs resulting from volume discounts on insurance purchases and reduced losses from more effective, comprehensive, safety and loss control programs.

- ◆ Improved quality of risk management services (e.g., claim handling, loss control).

- ◆ Substantial reduction in the amount of time required for obtaining certificates of insurance from contractors.

- ◆ Insurance requirements no longer an obstacle for contractors bidding work.

- ◆ The additional administrative burden can require a substantial level of effort if not managed competently by the owner's OCIP administrator.

- ◆ If the insurance market hardens, there is a potential financial risk inherent in loss-sensitive programs, resulting in premium cost increases and/or coverage reductions.

- ◆ An additional accounting effort may be required for extracting insurance costs from contractor and subcontractor bids and change orders.

- ◆ An additional monitoring effort is required by the OCIP administrator to ensure that claims from a contractor's

employees injured on other projects are not charged to the OCIP.

- ◆ Owner responsibility is increased for the implementation of safety and loss control programs.

Pros & Cons for Contractors

- ◆ The ability to obtain broader coverage with higher liability limits.

- ◆ More effective safety, loss control, and risk management programs.

- ◆ Coordinated claims handling/adjusting procedures and claims management services.

- ◆ Elimination of coverage disputes and subrogation between contractor and insurers.

- ◆ OCIP claims not counted as part of the contractor's own aggregate limit.

- ◆ Since bids must be provided with and without insurance, a more complicated bidding process is required in order to delineate bid credits.

- ◆ In a close bidding situation, a contractor with a good safety record may lose out when competing against a less safety-conscious contractor. (This could occur if the workers' comp experience modifier is not taken into consideration as part of the bid process.)

- ◆ Documentation and reporting requirements impose an additional administrative burden.

- ◆ Since OCIP costs must be segregated from other project costs, additional bookkeeping is required to maintain duplicate payroll records.

- ◆ OCIP coverage may not be as broad as, or may have lower limits than, the coverage provided by the contractor's own insurance policies. In this case, the contractor will have to negotiate with its own insurer to obtain excess limits or difference-in-conditions (DIC) liability coverage.

- ◆ An OCIP usually includes completed operations coverage for losses in a specified period of time (e.g., a two to five year "tail" after project completion). However, a contractor's expo-

sure continues for a longer period of time. Therefore, whenever possible, a contractor should endorse its own general liability policy to include any exposures beyond the OCIP period.

- ◆ Due to the decrease in payroll volume, the contractor's own insurance company may reduce its premium credits; also, dividends for workers' comp may go to the owner, not the contractor.

- ◆ Auto liability coverage is usually excluded from an OCIP.

- ◆ Some OCIP administrators do not report workers' comp loss data to rating bureaus in a timely manner, thereby affecting the contractor's experience calculation.

Potential Savings to the Owner

- ◆ It's extremely difficult to determine the total savings an owner can realize from an OCIP because the potential savings can vary significantly based on a number of factors.

- ◆ Savings are derived when contractors and subcontractors remove insurance costs from their bids because these bid

reductions lower the contract price. The owner's cost for providing workers' comp, CGL, and excess liability coverage on behalf of contractors and subcontractors will likely be substantially less than the deduction received from the contractors and subcontractors. The potential savings is the difference between the bid reductions and the owner's cost of contractor and subcontractor-provided insurance coverage.

- ◆ Contractor and subcontractor bid deductions can vary between 2-5% of construction costs. However, the amount contractors and subcontractors spend on OCIP-provided coverage will vary by geographic area, contractor size, and type of project.



2009 Holiday Kick-off Party at the Riverside Hotel



ROUTE 10:

3500 NW 9TH AVENUE
FORT LAUDERDALE, FL 33309

