Owner Controlled Insurance Program (OCIP) Outline for CDOT **Design Build** Projects

Project Development Branch Draft 3/5/13

The intent of this outline is to give the Region Project Manager a basic understanding of the contract requirements of an Owner Controlled Insurance Program (OCIP) and to give some guidance on how to include OCIP in a Design Build Project.

**Background/Concept:**

OCIPs are cost effective on very large projects or on projects grouped together, which is called a *Rolling* Owner Controlled Insurance Program or ROCIP. They are cost effective because of the buying power associated with the high volume of insurance purchased to do the work. The term OCIP is used when referring to the insurance requirements of a particular project. The term ROCIP is used when referring to an entire program.

In simplified terms, CDOT has committed to purchase enough insurance through an insurance broker (Lockton) to cover up to $425 million worth of construction work using the ROCIP concept. The insurance lines of coverage that may be included in an OCIP are: 1) Commercial General Liability. 2) Excess (Umbrella) Liability. 3) Contractor’s Pollution Liability. 4) Worker’s Compensation. 5) Builder’s Risk. 6) Professional Liability.

Large Design Build or CMGC projects, at least $10 million in construction value, are good candidates for an OCIP. For some lines of coverage, most likely Builders Risk or Contractor’s Pollution Liability, CDOT may decide in advance to insure using an OCIP. For some lines of coverage, most likely Worker’s Compensation, General Liability, Excess (Umbrella) Liability or Professional Liability, CDOT and Lockton will do a feasibility study to determine if the insurance quotes that CDOT has are less expensive than those proposed by the contractor in the successful proposal. When CDOT elects to insure the project under an OCIP, the Contractor and all eligible Subcontractors must enroll in the program. A Project Insurance Manual (PIM) will be created by Lockton that will control the safety aspects, claims, and insurance aspects of the project. Financial incentives will be available to the contractor if the project meets certain criteria and safety goals. Incentives are based on a total of $350,000 available for the entire $425 million program which equates to approximately $8235 per $10 million in construction value. CDOT will also hold the Contractor responsible for the first $25,000 of the deductible for a General Liability claim.

The ROCIP will be funded through a statewide cost center and will not have a negative impact on the project funding or budget.

The Region project team, CDOT Risk Management and Project Development should meet early during project planning/development to discuss OCIP issues such as; schedule, unique project risks, design costs, construction costs, lines of coverage to include, incentive, etc.

**Request for Qualifications (RFQ) Phase:**

When CDOT management determines that a project would benefit from an OCIP, the region will inform prospective proposers that CDOT reserves the right to use an OCIP on the project by adding the following suggested wording into the RFQ.



**RFP Phase:**

Project Development and Risk Management will provide an OCIP section to be included in the Instructions to Proposers (ITP). This section will identify the lines of insurance coverage CDOT intends to cover in an OCIP and that the proposal shall not include any costs for those lines of coverage. This section will also identify the lines of insurance coverage that CDOT may elect to cover. For those lines of coverage, the proposers shall include line item costs in their proposal. The proposers will also be required to fill out forms OCIP-A and OCIP-B which will be used in the feasibility study to determine if it would be cost effective to include these lines of coverage in the OCIP.

An example ITP section is attached below for information only



An example form OCIP A is attached below for information only.



An example form OCIP B is attached below for information only.



Project Development and Risk Management will provide an OCIP Exhibit to the RFP. The Exhibit will replace Section 9 of Book 1 of the CDOT Design Build template. The first part of the Exhibit describes all of the insurance requirements of the project, similar to what would have been in Section 9. The second part of the Exhibit details the CDOT OCIP Program and safety requirements in much greater detail than the ITP. The last part of the Exhibit will be the Project Insurance Manual (PIM).

The region will add the following note to the Guaranteed Maximum Price Allocation Form: GMP may be adjusted after selection to according to OCIP requirements.

An example exhibit is attached below for information only.



Example wording for the incentive is attached below for information only.



**Proposal Evaluation Phase:**

The region will evaluate the proposals and determine the winning proposal independent of OCIP except that the region and Risk Management will confirm that the proposals do not include costs for insurance coverage that CDOT will provide and that the basic OCIP requirements are met. The region will inform Risk Management and Lockton of the winning proposal so that the feasibility study can begin and so that Lockton can start working on the PIM.

**Award Phase:**

CDOT Risk Management and Lockton will complete the feasibility study and the PIM. If the feasibility study indicates that there could be savings if the project is covered by an OCIP, those appropriate insurance costs included in the proposal will then be “credited” back to CDOT and the GMP adjusted accordingly. CDOT Accounting will do the financial statement using the updated GMP. Lockton and Risk Management will give the updates to the Exhibit and the PIM to the region for inclusion into the contract. The rest of the award process will proceed as normal.

An example of a Draft Project Insurance Manual is attached below for information only.



**Contract Administration Phase:**

Lockton will give the Contractors and Subcontractors copies of the PIM as well as enrollment details. The Contractors and Subcontractors will enroll in the OCIP prior to beginning work. There should be minimal additional impact to the Project Team during this phase. CDOT Risk Management may request assistance in getting reimbursement of the deductible if the Contractor fails to respond. Lockton will review the Contractors Safety Plan and will attend project safety meetings. Lockton will also be available to attend the weekly project progress meetings if requested.