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

Project Development Branch Draft 3/8/13

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 an OCIP in a CMGC 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 an individual 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 (not normally applicable on CMGC projects).

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 (if applicable), 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.

**RFP phase:**

Inform the Prospective Proposers that CDOT reserves the right to use an OCIP on the project by including the following wording in the RFP.



**Construction Project Plan Preparation Phase:**

The following is a suggested timeline; each project is different and may require adjustments.

As soon as possible:

Meet with CDOT Risk Management, Lockton and Project Development to discuss the unique project Special Hazards and Exposures that have insurance implications. Consider items such as Blasting, ABC techniques, Environmental/Pollution concerns, significant noise/vibration, limited or difficult construction access, Intergovernmental Agreements with insurance commitments, etc. Other discussions will include such items as schedule, incentive, and scope of work.

At or before the 30% cost model meeting:

Discuss OCIP draft specifications and identify which lines of insurance coverage need to be included in the OCIP, which lines of coverage need to be brought by the Contractor and which need to be quoted by the Contractor and then analyzed in a feasibility study. (Example specs are attached for information only)





Discuss the incentive. $350,000 is available for incentives for the $425,000,000 program which equates to approximately $8235 per $10,000,000 in construction value.

CDOT Risk Management, Lockton and the Project Development Branch are available to assist with questions, examples and review.

At or soon after the 60% cost model meeting:

The Contractor will be required to provide insurance quotation documentation by submitting forms OCIP A and OCIP B (attached for information only), along with all other applicable documentation to CDOT Risk Management and Lockton for the feasibility study.

During final design:

Finalize the OCIP specifications that document how all lines of insurance coverage are brought to the project either by the Contractor or the OCIP. Assure that all of the Risks Special Hazards and Exposures are addressed. Finalize the incentive specification if appropriate. Identify any entities to be named as an additional insured. Identify any agree on any areas that are outside of the project limits that should be included in the coverage. Finalize all of the details and assumptions in the cost model, including the elimination of any costs for insurance that is covered by the OCIP. Set up a project planned Force Account for the incentives if necessary.

As soon as the Construction Approved Pricing (CAP) is agreed to, inform Risk Management so that they can direct Lockton to create the PIM.

**Construction Award Phase:**

Lockton will give the successful Contractor and subcontractors the PIM. The Contractor and all eligible subcontractors must enroll in the OCIP. The rest of the award process will proceed as normal.

**Construction Contract Administration Phase:**

There should be minimal additional impact to the Project Team during this phase. The Contractor will be responsible for up to $25,000 of the deductible from an incident and CDOT Risk Management may request assistance in getting reimbursement for this deductible if the Contractor fails to respond. Lockton will review the Contractor’s Safety plan and attend project safety meetings. Lockton will also be available to attend the weekly project progress meetings if requested.

An example form OCIP A is attached below for information only



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



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



**Summary/Additional information:**

CDOT is in the development phase of the OCIP program. The project level feasibility studies give CDOT the necessary assurance that CDOT is getting a good value for that project. Once CDOT has established a positive “track record”, the program could be streamlined. The goal would be for CDOT to determine, early in the project development, whether or not a project is appropriate for an OCIP and then plan and budget accordingly.