

# Airport Council International 2020 Risk Management Conference

## OCIP vs CCIP

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# Session Agenda

- I. Consolidated Insurance Programs
- II. Owner Controlled Insurance Programs
- III. Contractor Controlled Insurance Programs
- IV. General Liability-Only Programs
- V. OCIP Ancillary Coverages

# Session Agenda

- VI. Case Studies
- VII. Which One is Best? Elements of Feasibility
- VIII. How to Successfully Add Additional Projects
- IX. Single Site vs. Multiple Projects
- X. Best Practices

# Consolidated Insurance Programs



Improved  
Coverage

# CONTROL



**Bickmore**

# POTENTIAL COST SAVINGS

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# LEGAL FRICTION

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# Consolidated Insurance Programs

- Single Insurance Program Covering All Eligible Contractors
- Single Defense Counsel
- Single Policy with (Usually) High Limits
- Locked in Rates and Terms
- Named Insureds vs. Additional Insureds



# Owner Controlled Insurance Program (OCIP)

- Workers' Compensation, General Liability and Excess Liability
- Owner is First Named Insured
- Owner Pockets "Savings"

# Owner Controlled Insurance Program (OCIP)

## Advantages:

- Fixed rate for life of project
- Virtually non-cancelable
- Guaranteed maximum cost
- Completed operations to statute
- Dedicated, large limits with annual reinstatement
- Pre-agreed extension for delay

# Owner Controlled Insurance Program (OCIP)

## Disadvantages:

- Capital Program Reductions & Minimum Premiums
- Lack of Resources
- Lack of Long Term Commitment
- Lack of Broker Support at the End
- Lack of Safety and Claims Management

# Rolling Owner Controlled Insurance Program (ROCIP)

- Multiple Large Capital Projects Over 3 – 5 Years
- Projects Roll In, Projects Roll Out Over 5 Years
- Consistent Safety Standards Amongst Projects
- Not All Projects Fit!

# Owner Controlled Insurance Program (OCIP)

When They **Are** Used:

- CV > \$150M (but not always!)
- Large Capital Improvement Program
- Difficult to Insure
- Owner Wants Coverage Control
- High DBE Requirements
- Owner has Resources – Oversight & Safety

# Owner Controlled Insurance Program (OCIP)

When They are **Not** Used:

- Low Payroll
- High Equipment Value
- High Percentage Off-Site Fabrication
- Lack Owner Resources
- Lack Owner Long Term Commitment
- Lack of Lead Time

# Contractor Controlled Insurance Program (CCIP)

- Workers' Compensation, General Liability and Excess Liability (Full)
- Contractor is First Named Insured
- Contractor Pockets "Savings"

# Contractor Controlled Insurance Program (CCIP)

## Advantages:

- Contractor Assumes Risk Financing Program
- No Owner Administration or Resources Needed
- Fixed Cost to Owner Over Project
- Fixed Coverage on Project
- Contractors Motivated for a Safe Project



# Contractor Controlled Insurance Program (CCIP)

## Disadvantages:

- If Fire Your Contractor; Lose Your CCIP
- Potential to Cost Owner More Than OCIP
- Major Profit Center for Contractors
- Lack of Control for Owner – Coverage & Claims Disputes

# **General Liability – Only Insurance Program (GL-Only)**

- General Liability and Excess Liability
- Workers' Compensation Handled by Enrolled Contractor's Corporate W/C Policies
- Usually No "Savings"
- Catastrophic Coverage / Statute of Repose

# Ancillary Coverages

- Builder's Risk
- Contractor's Pollution Liability
- Excess Professional Liability
- Railroad Protective

# Case I

## Case I

Overview

1. Almost \$3B Construction Portfolio
2. Has a strong history of OCIPs and CCIPs
3. Project Multi-Fatalities within decade on OCIP
4. Leadership Turnover at key positions (Execs/Sr. Leaders)
5. Case Study Project in excess of \$1B
6. Project anticipated to last over 5 Years
7. Project Team very Reluctant to have OCIP
8. Exec/Project Team - ad hoc OCIP acumen
9. Project was a JV between to competing primes
10. Has another OCIP project with long tail on pending claim

# Case II

## Case II

Overview

1. Almost \$4B Construction Portfolio future
2. Has a low history of OCIPs
3. Leadership Turnover at key positions (Execs/Sr. Leaders)
4. Case Study Projects in excess of \$1B
5. Case Study Project currently GL-Only
6. Project anticipated to last over 7 Years
7. Project Team indifferent to have OCIP
8. Exec/Project Team - ad hoc OCIP acumen

# Which One is Best? Elements of Feasibility

- There are Multiple Considerations
- Financial vs. Non Financial
- Project to Project; Program to Program
- Handout

# Controlled Insurance Program Considerations

## Controlled Insurance Program Considerations

OCIP or CCIP?

1. What is your organization's appetite for OCIP or CCIP?
2. What has been the CIP past practice?
3. Have you performed a 3<sup>rd</sup> Party feasibility study?
4. Does your Risk Department have the bandwidth to direct the OCIP Administrator?
5. What is the confidence level of your Project Team and Organizational Leadership in an OCIP?
6. How confident are you in the Contractor to administer a CCIP?
7. Which program will your internal Business Diversity Partners prefer?
8. Are you, as a Risk Professional, willing to stand on the direction the data is pointing?

# Elements of Feasibility

- When an OCIP Works Well
- When a CCIP Works Well
- When a GL-Only Works Well



# Owner Goals & Feasibility

Client Goal	Competitive	Conservative	CCIP	Traditional
Safer Project	Yes	Yes	Possible	No
Save Money	Yes, except at \$300M Max losses	Yes, except at all Max losses	No	No
Improved Claims Management	Yes	Yes	No	No
Catastrophic Coverage	Yes	Yes	Possible	No
Control of Coverage	Yes	Yes	No	No

# How to Add Projects?



# Single Site vs. Multiple Projects

- Vet Carefully
- Go Slow
- Ensure Secure Funding Source(s)
- Finalize Policies, Procedures, Resources

# Best Practices

- Don't Do it JUST for Savings (\$)
- Take Time, Plan Well In Advance
- Seek Counsel from Outside Experts/Peers
- Start Small, Think Larger if CIP Works
- If OCIP: Align with Contracting Partners

# Best Practices

- If CCIP: Review Full Copies of Policies
- If GL-Only: Avoid Exclusions; Share Policies
- Share Savings with Contractors?
- Be Transparent

# Best Practices

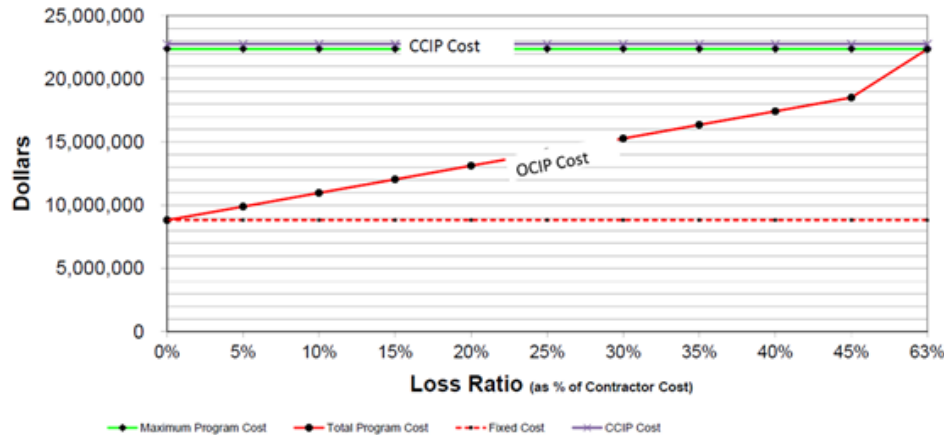
- Educate Senior Leadership
- Establish Communication Protocols
- Understand Program Agreement/Close Out
- Conduct Regular, Robust Claims Reviews

# Best Practices

- Engage/Invest in Robust Safety Program
- Incentivize Broker Until Close Out
- Conduct Regular Program Reviews, Savings Updates, Final Program Evaluation
- OCIP Manual & Claims Processing

# Projected Cost & Savings Rate Examples

Projected Wrap-Up Results  
(at Estimated Payroll)



<b>EST. PROGRAM RATE</b> (GL, WC & Excess)	OCIP	<b>1.5% - 2.36%</b>
	CCIP	<b>2.395%*</b>
		*Does not include SDI

<b>EST. SAVINGS OF OCIP vs. CCIP</b>	
At Company avg. loss of 25%:	<b>\$8.5M</b>
At 63% loss:	<b>Break-even cost differential</b>





**Like a scalpel in the hands of a surgeon, an OCIP is a great tool if used with skill.**

**If used without care and skill, it can be dangerous.**

**Thank You!**