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OCIP'S — A CONTRACTOR'S GUIDE TO ENSURE PROPER PROTECTION

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Owner Controlled Insurance Programs (OCIPs) have been utilized by owners and developers for several decades throughout the United States. Historically they were only used for very large projects (values in excess of \$100 million), but within the past several years they have now been employed on commercial projects as small as \$25 million. While there are several benefits to utilizing an OCIP, this article will focus on some of the issues and gaps that contractors need to be acutely aware of prior to enrolling in an OCIP.

WHY OCIP'S?

Why would an owner want to have their project insured by an OCIP in the first place? While reasons such as continuity of coverage, ability to have smaller contractors participate, and better claims resolution often are cited, the real motivation, in this author's opinion, is to save money!

Various insurance carriers have jumped in the OCIP marketplace and some insurance brokers are pushing very hard with their owner/developer clients by suggesting the possibility of pro-forma savings on their insurance costs by using an OCIP. The problem with this logic, however, is that all OCIPs are not created equal and many have gaps in coverage, put more deductible responsibility on the contractors, and are hastily put together extremely late in the pre-construction process. In addition, the [bid deduct](#) credits that owner's brokers are suggesting contractors will recoup are not reasonable (often over 50% of the insurance costs that contractors charge) and there are additional costs the owner bears with an OCIP, such as hiring an OCIP administrator.



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OCIP STRATEGIES

Some of the major disadvantages of an OCIP from a contractor's point of view include potential gaps in coverage, increased deductible responsibility to the contractor, unrealistic bid deduct expectations, potential OCIP administrator errors, and poorly communicated coverage placement and requirements via the OCIP manual. The following are some strategies we recommend to overcome these challenges:

1. Communicate early with the owner about their intention of using an OCIP.
2. Procure a copy of the proposed OCIP manual and specimen policies the owner's broker intends to place.
3. Have your broker thoroughly review the manual and specimen policies.
4. Ensure your current coverages meet the requirements in the contract and OCIP manual (and check that those two even match up!).
5. Have your broker review the bid deduct instructions in the proposed OCIP enrollment form: any flat rate premiums (umbrella and excess liability) should not be included.
6. Find out what the close out process entails. Will punch list work be included? Is there a sunset provision for completed operations?

OCIPs are part of the construction world and owner/developers will continue to push for utilizing them. Contractors can have positive and successful outcomes, but it is important to have a competent broker that understands the nuances of OCIPs carefully review your program to ensure the coverage is in place in event of a claim, and your interests are adequately represented.

