

## **OCIP FREQUENTLY ASKED QUESTIONS (FAQ'S)**

An owner contemplating the implementation of an OCIP may receive a number of questions from their own internal management and the General Contractor, who would be responsible for a portion of the OCIP administration, and contractors and trade partners. Some frequently asked questions (FAQ's) include:

### ***What is the difference between an OCIP and a Wrap-Up?***

The terms OCIP and wrap-up are frequently used interchangeably because the underlying premise is relatively the same. Both have the same insurance coverages, usually General Liability and an Umbrella (some include worker's compensation coverage); however, there is a slight difference. The wrap-up concept had originally emerged as a form of consolidated insurance program that placed the responsibility for providing insurance coverage on the prime contractor, or General Contractor, for all its trade partners. In this context, the wrap-up would be considered a contractor controlled insurance program (CCIP). In comparison, an OCIP provides similar coverage as a CCIP, but the owner is the sponsor and provides insurance for all parties. In other words, the owner takes total responsibility for the insurance procurement, including direct payment of premiums, and the management and administration of the entire program.

### ***How does an OCIP benefit an owner?***

The primary advantage of an OCIP is increased control, hence the name, Owner Controlled Insurance Program. The Owner has the ability to obtain coverage for trade partners and other parties who may not otherwise be able to procure insurance adequate to meet the builder's requirements.

A less burdensome contract administration for the builder (i.e. compliance with conventional insurance certificate and additional insured endorsement requirements) is also a benefit. Traditionally, an owner and a contractor execute a construction contract, which includes an indemnification clause with exculpatory language expressly stating that the contractor shall hold the owner harmless for any loss arising out of the execution of the contract. The owner seeks to have the general contractor and trade partners indemnify and name the owner as an additional insured on the general contractor's insurance policies. The owner must rely upon the ability of the general contractor to procure the correct insurance and to continue to procure such insurance for the duration of the exposure to construction defect risks, even after the owner and general contractor have no further business relationship.

In addition, OCIP Programs enable Owners to mount a stronger single entity defense in construction defect lawsuits, an area which plaintiff's attorneys have had great success by exploiting the weakness of multiple defendants (general and each trade partner, regardless of their involvement). Rather than many lawyers and many insurance carriers who may be manipulated into settling a lawsuit at inflated costs, in the case of an OCIP, there is only one insurance company and one legal firm controlling all of the data and documentation related to defending the claim. It also prevents defendant in-fighting which only benefits plaintiff attorneys.

As no trade partners' insurance will be involved in any claim, decisions can be made between the developer and the carrier far more quickly and effectively. This dramatically reduces the legal expense in settling defect claims. Also, a wrap-up carrier has no other coverage to pass off liability or share costs with, so they are more inclined to seek early resolution and settlement.

***How much additional time will an OCIP require from an owner's management staff?***

The estimated time expenditure will be more significant in the initial stages of design and implementation of an OCIP. However, once an OCIP is up and running, the time required for administration will be minimal, consisting mostly of responding to coordination questions and reviewing periodic OCIP Premium Allocation Status Reports.

***What coverages are provided under the OCIP?***

The OCIP Program will provide General Liability for claims arising from the construction project. Typically, a Commercial General Liability insurance form is broadened to encompass most bodily injury or property damages arising out of the construction, regardless of how the loss happened. If worker's compensation coverage is chosen for the policy, all job site injuries are also covered.