OCIP VS CCIP

CCIPS AND OCIP'S OPERATE MOSTLY IN THE SAME WAY

In construction, OCIPs (Owner Controlled Insurance Programs) are paid for by the project sponsor or property owner, whereas CCIPs (Contractor Controlled Insurance Programs) are paid for by the lead contractor on the construction project. CCIPs and OCIP's operate mostly in the same way, but sometimes it's best to choose a CCIP over an OCIP. Contractors are sometimes given better rates than owners due to their track records of construction site safety.

OCIP

An Owner Controlled Insurance Program (OCIP) is an insurance policy held by a property owner during the construction or renovation of a property, which is used to cover all liability and losses from the construction project or projects. An OCIP can be set up in a number of ways, a policy package typically contains Commercial General Liability (CGL), Excess Liability Insurance (ELI), Worker's Compensation (WC) and Employer's Liability (EL). Depending on the project, there may be endorsements that provide additional coverage such as Contractors Pollution Liability (CPL), Builder's Risk Insurance (BRI), Terrorism Insurance (TI) and Umbrella Insurance (UI). OCIP'S are referred to as "Wrap Policies," "Wrap-Ups or "Wrap-up Insurance."

The traditional method for insuring construction projects consists of each general contractor (GC) and subcontractor obtaining their own insurance policies from any provider of their choosing. In turn, they would build their policy premiums into their cost structure, which then would become part of their bids. This means that by accepting a GC's successful bid, the property owner was indirectly paying for administrative overhead at several different insurance companies and brokers. In an OCIP, all construction, materials, hazard, worker's compensation, environmental, terrorism and other building-related insurance is purchased by the property owner as part of a single policy from a single insurer.

Property owners benefit from OCIP's because insurance costs are collected into a single policy premium, rather than surrounded by the bids of multiple contractors and subcontractors, and they have complete authority over administrative costs by dealing with a single broker and insurer. A large property owner that always has several construction projects in progress at any particular moment such as a real estate investment trust, an urban school district, or a state university system – may attempt to realize additional savings by obtaining a single OCIP to cover multiple projects. Historically OCIP's are typically designed for projects with construction values of 100 million or more. The number one reason to implement an OCIP on larger projects is to create a center for profit for the program sponsor and to allow for better coordination of loss prevention and safety.

There's a number of reasons an owner, developer or general contractor may want to consider an OCIP. One reason is that it ensures that all contractors on a job have insurance coverage. Also, it can lower the overall cost of the project to the extent the offsets provided by the subcontractors who now don't need to use their own insurance exceeds the OCIP premium. The last reason is the joint defense requirement can save a lot of time and money in the dispute resolution process. An OCIP policy must be placed before the construction actually starts. It usually continues through substantial completion of the project with the addition of number of years after. This period is known as the "Extended Reporting Period" (ERP) or "tail."

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Usually the tail extends through the applicable statute of repose, which in California, is 10 years upon substantial completion. The sponsor of the program is typically the owner or contractor. Whoever the policy sponsor is, named insureds will include the owner, general contractor and all enrolled subcontractors

CCIP

A Contractor Controlled Insurance Program (CCIP) is an insurance program that protects the general contractor, its subcontractors and the project owner from third party general and worker's compensation claims. Also called wrap-up insurance, CCIP's are controlled by contractors rather than project development owners. The developer, or the owner is named as an additional insured and is provided protection from the policy as well. Employing a CCIP allows the general contractor to control and manage the overall safety program of the projects included in the wrap-up. CCIP's are typically more cost effective than traditional insurance and provide a wide array of benefits to all the stakeholders involved in this project. This includes lower insurance costs, improved site safety, streamlines claims, broadens coverage, reduces coverage gaps and allows small business enterprises participation.

Some other pros of a CCIP policy is reduced number of insurers, cost reduction, control of insurance, adequate limits, large contractor pool and coordinated claims. Having a smaller number of insurers, one insurance company reduces insurance gaps and extensive litigation to determine responsible subcontractor. For cost reduction, you can maintain one insurance policy, which means subcontractors don't need to get their own, which in turn saves on overhead. Control of insurance allows for project management to maintain control of insurance with the best vantage of projecting all levels of risk. Adequate limits assure project owners that the project is properly insured from top to bottom with every subcontractor projected. A larger contractor pool doesn't require subcontractors to have their own insurance, leaders of projects can open biddings from a bigger pool of subcontractors. Coordinated claims means there is only one policy which can reduce the number of potential policies that need claims management.

BENEFITS OF CCIPS AND OCIPS

- Comprehensive insurance coverage for all
- Higher limits of coverage
- Safer construction site
- Reduced litigation
- Elimination of redundancies in both cost and services
- Economies of scale
- Competitive use of MBE and WBE companies

OCIP VS CCIP

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As for the disadvantages for having a CCIP policy for a project, there are multiple. The first is an extended subcontractor negotiation process, the general contractors must add the procedure of pricing the insurance after the initial bid is projected by subcontractors. There is a difficult change order process. Insurance is placed on the final bids of contractors, and a change order changes the pricing of insurance to be approved. Other drawbacks include added cost of administration, potential of insufficient coverage, and the deduction may not offset premium. The added cost of administration includes the general contractor's incorporated costs of subcontractor and CCIP cost administration to the project's overhead. Potential of insufficient coverage is the risk of projects going over their budget for not having the correct amount of liability insurance for major claims. The deduction may not offset the premium – premium credits provided by subcontractors may not truly add up to savings on the overall project budget.

Most often teaming up with the highest quality wrap-up administrator will make all the difference to the success of your program. A wrap-up policy protects everyone from top to bottom, giving it the nickname the pyramid of coverage. By having the pyramid of coverage the project owner, general contractor and all the listed subcontractors are protected under the wrap policy while working on the project.

SOURCES:

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