



SPAIO Conference – Sept 21, 2018 OCIP v CCIP

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Agenda



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1. Introduction: OCIP v CCIP
2. Summary of LCIP
3. Reasons for considering OCIP
4. Objections to OCIP
5. Wrap Up Coverage
6. Pollution Coverage
7. Important Notice to Contractors
8. Claims Control

Introduction



Municipalities utilize many methods of insuring construction projects including Owner Controlled Insurance Programs (OCIP), Contractor Controlled Insurance Programs (CCIP) and lesser variations of the same.

This seminar is designed to provide background information on the various options and to review the pros and cons of each method, using the City of London LCIP as an example of a successful program.

Introduction



OCIP is designed for project specific insurance. The Municipality would be responsible for organizing all insurance coverages for a new project and all coverages for this new build would be placed through the Municipalities insurance broker including Wrap Up Liability, Builder's Risk and Pollution Liability as applicable. In this scenario, the Municipality pays the insurance premium for these coverages and is also first to pay the applicable deductible, although this can be transferred, via the contract, to the negligent contractor.

Introduction



CCIP is also designed for project specific insurance. The general contractor awarded the project would be responsible for organizing all insurance coverages for a new project and all coverages for this new build would be placed through the contractor's insurance broker including Wrap Up Liability, Builder's Risk and Pollution Liability as applicable. In this scenario, the contractor pays the insurance premium for these coverages and is also first to pay the applicable deductible, although this can be transferred, via the contract, to a negligent sub-contractor.

Introduction



OCIP and CCIP programs work well for specific projects – new Road Construction, new Wastewater Treatment Facilities, etc. but would not be appropriate for ongoing annual work such as snow removal contracts. Typically, for these types of contracts, the Municipality requests to be added as additional insured onto the general contractor’s liability policy in order to be indemnified should a plaintiff include the Municipality in a legal action resulting from the snow removal operation.

Summary of LCIP



In 2012, in partnership with Arthur J. Gallagher Canada (nee Stevenson & Hunt Insurance Brokers Limited) the City of London launched the London Construction Insurance Program (LCIP) to provide consistent coverages and claims service for City of London projects, but allowing the contractor to place the required insurance coverages with their own insurance broker with a deductible structure that matched their own risk control program.

History of LCIP



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- In 2011 an OCIP option was presented to the City of London Risk Management Department as a vehicle to standardize insurance coverage and claims handling for City owned and managed construction projects
- An exclusive arrangement with insurance coverage available only through one specific brokerage
- Removed choice and control for the contractors and their respective brokers
- Immediate consequence for the city would have been significantly higher deductibles that contractually would be the responsibility of the contractor and loss of control of claims handling

Reasons for Considering OCIP



The City of London felt that a change in format of their Project Specific Insurance was necessary. The three main reasons as described were:

1. Consistency in insurance coverage provided
2. Better claims control
3. Cost reduction

Objections to OCIP

Local brokers objected to the adoption of an OCIP for the following reasons:

- Contractor without representation from both a coverage and claim payment point of view
- Broker of choice is not involved in the placement of insurance or in the determination of fault in a claim
- Deductibles that are far higher than that of the amounts carried by contractors under their own insurance program
- Contractor is responsible for a significant deductible with no control over when and how it is applied. Potentially putting a higher financial burden on a contractor

Objections to OCIP

Local brokers objected to the adoption of an OCIP for the following reasons (cont):

- Insurance costs would no longer form part of a tender. They would be fixed with the price of one company which could be seen as contrary to the intent of the tender process.
- Significant savings on costs may not be realized by the City, as insurers underwriting the OCIP program (represented by only one broker) may not have knowledge of the majority of contractors awarded City jobs, understanding of their risk mitigation and prevention strategies and/or their claims history on similar types of other work. This may or may not be able to provide pricing as competitive as brokers that represent the overall insurance programs for these contractors; conversely, the insurance costs charged under the OCIP program do not differentiate between contractors in terms of their risk management and safety protocols.

Benefits of LCIP



The benefits of the LCIP program include:

- Provides consistent policy wordings and insurance coverages to all City of London projects
- Allowing general contractors to choose and be responsible for the applicable deductibles
- Allowing the project to move forward without the need for holdbacks against the general contractor or several contractors, as a result of a high deductible applicable under an OCIP
- Consistent claims handling by assigned Independent Adjuster (IA)
- Quarterly or Annual Claims Reports to City from IA

Insurer Participation



- Seven major insurers agreed to participate in a solution that would address the concerns of the City.
- All other insurance companies, licensed to sell insurance in Canada, may provide policy coverage for LCIP Projects, but the contractor's insurance broker is responsible for ensuring that the coverages mirror the LCIP requirements as outlined in this document.
- LCIP allows each insurer to continue to use their standard wordings with amendments to ensure consistency amongst all insurers

LCIP Insurance Program Coverage



- LCIP participation by insurers is agreed to on the basis of offer and acceptance for each risk and each market. Full underwriting and pricing control remain with the insurer. If a project is accepted and quoted by an insurer however, it must be insured (at a minimum) on terms noted in this document, no variations to reduce coverage can be accepted.
- The City of London amended their spec documents to reflect the new LCIP requirements

LCIP Insurance Program Coverage



Educating the contractors and brokers

- Following the decision to move forward with the LCIP model, an education task force was implemented to ensure that all contractors and brokers understood the new coverage requirements and claims handling protocols
- Education events were organized and delivered to all local construction associations and brokers with continual updates and reminders distributed through local associations
- LCIP Requirements available on the City of London website <https://www.london.ca/business/tenders-rfps/vendor-information/Pages/London-Construction-Insurance.aspx>

LCIP Eligible Projects



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- All projects tendered with the specification of LCIP are written on the following basis as a “minimum” of coverage. No restrictions or alterations that impair or restrict the scope of this coverage are accepted
- All City tendered jobs that are more than \$3,000,000 in project value are required to carry the LCIP program requirements
- Projects involving road resurfacing, sewer, watermain and paving projects will be exempt from the builders risk portion (only) of LCIP unless otherwise indicated in the specs

Builders Risk (Broad Form coverage)



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Core Coverage

- Limits as required
- Includes all project owners, project manager, architects, engineers, contractors and sub contractors as named insured
- Property in course of construction, installation, reconstruction or repair, owned by insured or by others so long as included in value
- All risk wording subject to exclusions
- Materials and supplies entering into project including landscaping, growing trees
- Temporary structures - office trailers, scaffolding, etc. & excavation, site preparation
- Margin of profit included
- Removal - 7 days (or expiry)
- Windstorm debris removal
- List of minimum policy extensions and limits

Wrap Up Coverage:



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Core Coverage

- Limits as required
- Includes all project owners, project manager, architects, engineers, contractors and sub contractors as named insured
- Tenants Legal Liability Coverage (for locations related to the project only)
- 60 day notice of cancellation (except in case of non-payment)
- Professional Liability exclusion
- Damage to existing structures amendment available (if called for in the specs)
- 24 month completed operations extension
- Including Explosion, Collapse and Underpinning

Deductibles

These will vary depending on the size and complexity of the project and are subject to negotiation between the insurer and broker

Pollution Coverage



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The project specs **MUST** specify if Pollution/EIL cover is necessary on an individual basis. Markets may then make the determination as to whether or not the exposure presented is acceptable and if so, provide pricing and terms. If the COC/Wrap market does not have an appetite for the pollution exposure of the project, then the broker must place with another carrier. Submission would be on an offer and acceptance basis.

Important Notice to Contractors:



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The coverage outlined in this document are MINIMUM limits and extensions only that must be included for projects meeting the LCIP criteria as stipulated by the City in their spec documents. It is still the responsibility of your broker to review all potential operations and exposures to determine if the coverage and limits noted above are sufficient to address all insurance related exposures presented by the specs of the project. These are mandatory MINIMUM coverage only.

Claims Control



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Designated Loss Control Adjuster Program

- When the City of London receives any third party reports of injury or damage for a LCIP or other City of London Project, these will be immediately forwarded to the contractor for handling, including the incident report and a copy of the Certificate of Insurance issued for the project
- The Certificate of Insurance uses the City of London Contractor certificate and includes the name of the project, the name of the contractor, the name of the broker, the insurance company on risk, the coverage and limits available and the deductible applicable

Claims Control



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Designated Loss Control Adjuster Program

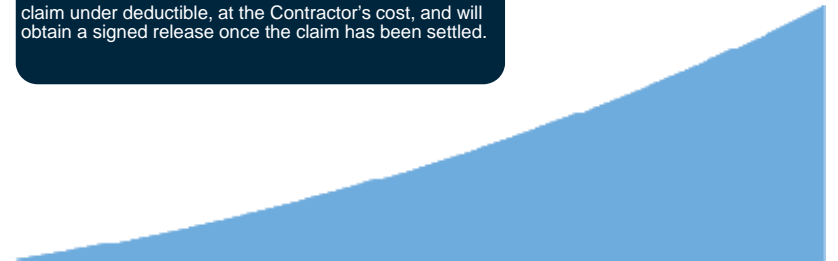
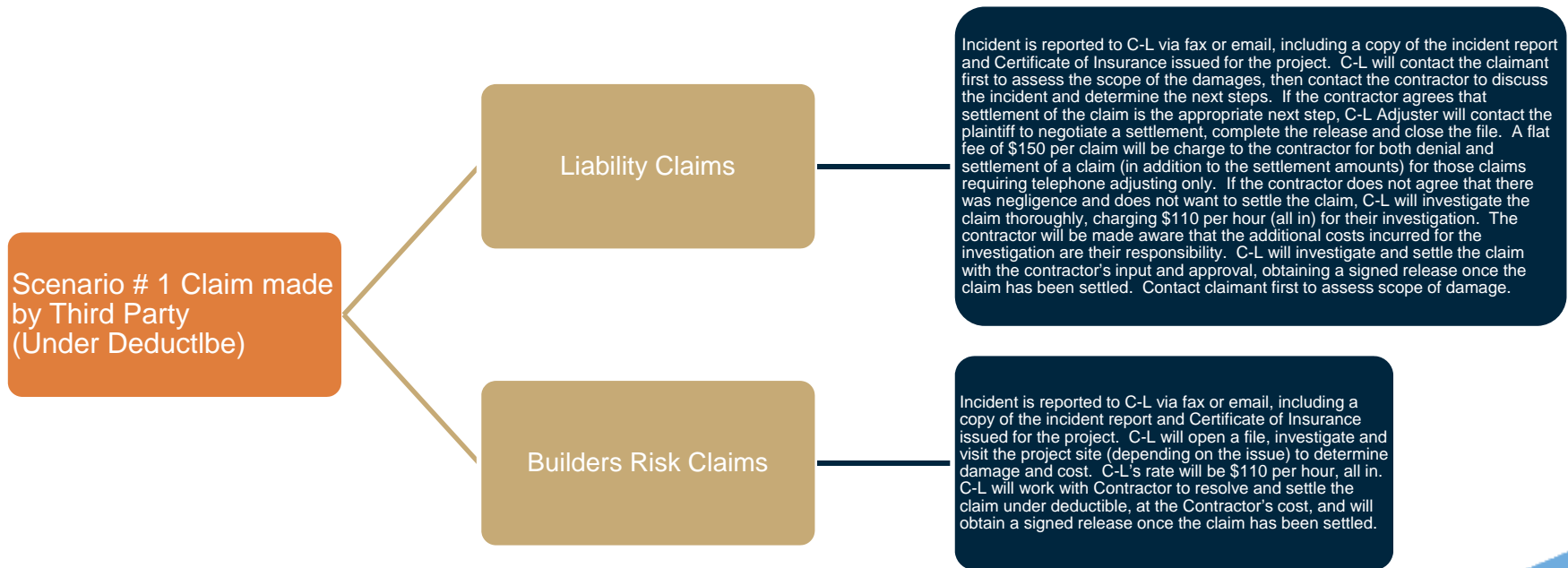
- If a contractor wishes to investigate, negotiate and settle incidents/claims below their deductible on any particular project themselves, they may do so as long as the claimant signs a standard release (available from Loss Control Adjuster) that releases the contractor as well as the City from any further liability once the claimant accepts the offered settlement or terms.
- If however a claimant goes directly to the City, at a minimum of 30 days following the original complaint, as a result of the contractor not contacting them or not being able to come to an agreement on the terms of settlement, the City will then **REQUIRE** the Loss Control Adjuster to handle the claim from that point on and the contractor will then be responsible for paying the fee structure outlined in the original LCIP document.

Claims Handling



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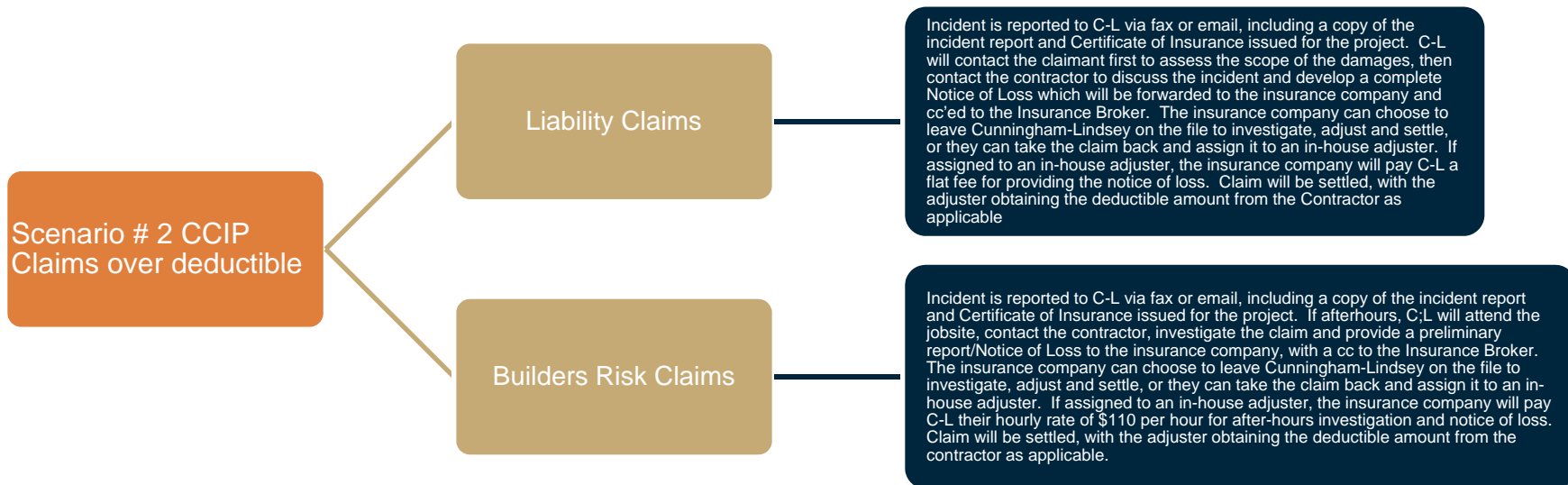
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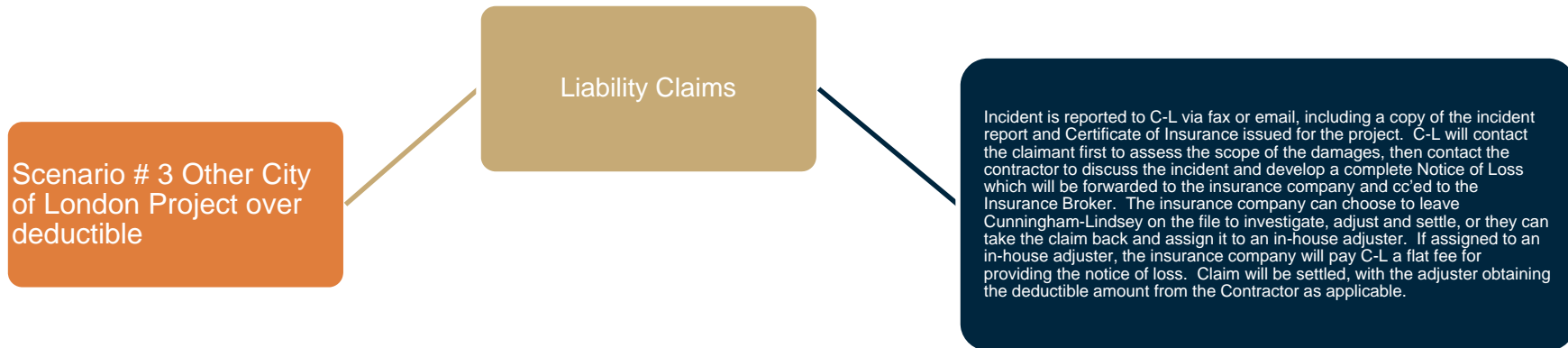
Claims Handling



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Claims Handling



*Note, the main difference in these projects is that they will most likely be insured under the Contractor's General Liability Policy, rather than a project-specific Wrap Up policy, and as such, may not necessarily be insured with one of the six insurers listed above. Sedgwick/Cunningham-Lindsey have agreed to **provide their service** for these claims, even if it is only for an opening notice and then handed off to the insurer for adjusting. C-L has a standard fee for opening a claim, which most insurers will be to an Independent Adjusting Firm. If an agreement is not in place between a specific insurer and C-L, C-L has agreed to waive the fee.



Thank you!

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