



# VIEWS & VISIONS

A publication of Bowles Rice LLP

Winter 2019



## “Get ‘Er Done” with an Owner Controlled Insurance Program

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Gary Meinen is the Pittsburgh Construction Practice and Regional Project Insurance Leader for Willis Towers Watson. He is responsible for the overall service delivery to construction project clients with an emphasis on Controlled Insurance Programs (CIPs). He has managed numerous CIPs for a Construction Manager and two Global Insurance Brokers.

Meinen has specialized in construction project risk for over 25 years. His insurance and CIP expertise includes feasibility analysis, contract review, program design, brokerage, administration, claims advocacy and safety consulting for clients with projects in all industry sectors, including: Transportation, Power, Gaming, Financial, Hospitality, Residential, Mixed Use, Sports, Water Treatment, Waste, Education and Medical.

Meinen began his career as a safety professional on construction projects. He earned his degree in safety sciences from Indiana University of Pennsylvania and a Construction Risk Insurance Specialist (CRIS) designation from the Insurance Risk Management Institute (IRMI).

## Willis Towers Watson

I have worked with the construction industry for over 25 years and have often referred to this field as the “Get ‘Er Done” industry. Collectively, when faced with obstacles and challenges, owners, designers, architects, engineers, construction managers, contractors and everyone else involved in a project must continually find the best ways to “Get ‘Er Done.” Some of these obstacles and challenges are risks that are insurable. I have realized that an extremely valuable tool in the project tool box is an Owner Controlled Insurance Program (OCIP) to effectively and efficiently manage a project’s insurable risks.

Many of us understand the significant benefits that an OCIP can bring to a construction project. Over the last several decades, many construction project owners have benefited from implementing an OCIP. Those owners have firsthand experience with how an OCIP provided the protection needed during and after construction operations and helped keep the project on schedule, on budget and running as desired, ultimately protecting their investment.

In general terms, an OCIP is a single, unified program of insurance policies purchased by the project owner for all contractors working on a project. The OCIP is designed to better cover certain construction risks, as opposed to each contractor providing their own varying insurance policies. The most common OCIP covered risks include worker injury (workers’ compensation), third party bodily injury and property damage (general/excess liability) and damage to the project being built (builders’ risk). The program can also be expanded to include pollution and professional liability insurances.



The benefits most often realized from OCIPs are:

- High policy limits for General and Excess Liability
- Consistent insurance for every contractor
- Protection from the risk of contractor policy limit depletion due to claims on other projects
- More complete coverage as demonstrated by General and Excess Liability Completed Operations Coverage extended to the statute of repose (12 years in Pennsylvania/10 years in West Virginia after construction was performed)
- Direct financial savings for the owner; OCIP is often less expensive than paying contractors to provide insurances
- Greater control for the project owner, especially in adjustments of claims
- Less disputes regarding which insurance policy applies if multiple contractors could have caused a loss
- A coordinated and consistent safety program for all contractors
- Continued insurance coverage even if a contractor goes out of business

A wide variety of owners use OCIPs for all types of renovation, expansion and new construction projects, such as power plants, stadiums, office buildings, schools, airports, mixed-use developments, roadways, medical facilities, hotels, resorts, amusement parks

and municipal facilities. The construction projects throughout the country vary in size and scope.

Originally, OCIPs were implemented for large projects, but they are becoming more common for small to mid-sized projects. For many years, a traditional stand-alone project needed to reach a benchmark of \$100 million contracted value for the project to be considered a financial candidate. The OCIP concept has evolved to meet the needs of more project owners at different construction values. Now owners can choose “general liability programs” that do not include workers’ compensation, “rolling programs” designed for one owner with multiple projects, “maintenance programs” for ongoing facility maintenance or unique “consignment programs” that group many small projects with different owners together to reach a critical mass of contracted value.

A consignment program we administer and I manage at Willis Towers Watson was established in 2001. It has proven to be a favorite “tool” for many. Originally sponsored by the Pennsylvania School Board Association (PSBA) Insurance Trust, it is now sponsored by CM Regent Insurance Company. This program brings the advantages of the OCIP to the public school districts in Pennsylvania and is available to projects with a minimum \$10 million contracted value. CM Regent Insurance Company is the first named insured on the program policies and then consigns individual project owners onto their program.

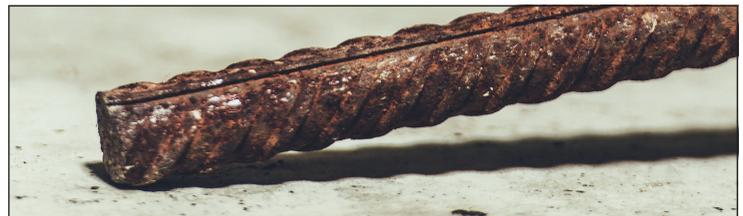
This approach gives owners of smaller projects the benefits and bargaining power that had previously been reserved only for very large projects. To date, the program has included more than 275 projects with a combined total contracted value of more than \$4.5 billion. As a result of this program’s success, the OCIP consignment program for public schools is currently being expanded to other states beyond Pennsylvania and is evolving to include other types of projects with similar construction risks. It is now available to projects in West Virginia, Wisconsin and Kentucky, with an emphasis on education projects.

It has been my experience that most owners who consider an OCIP choose to use it, and most use it again when they have another opportunity. OCIPs have gained support and endorsements from many of the owners’ key team players, including designers, architects, construction managers and legal counsel. The next time you need a risk management tool to “Get ‘Er Done,” make sure you consider an OCIP for your construction project needs. ▽



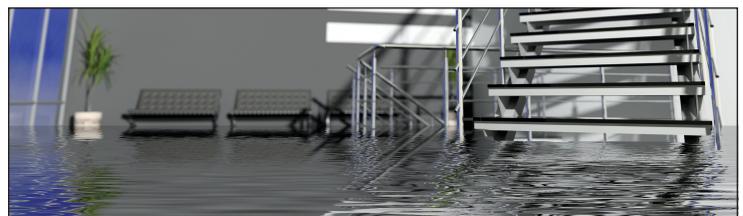
### Claim Example #1

During a \$30M renovation and expansion of a public school, three contractors’ work contributed to flooding during a heavy rain event that damaged the existing building. One contractor excavated the site in a way that improperly directed the water to the second contractor’s open foundation excavation which was permitted to fill with water and pass through a wall penetration that was drilled by the third contractor. Mud and water entered the existing building. With an OCIP in place, all these contractors were covered by the same insurance policy and the claim was paid with ease. Without the OCIP in place, there would have been a dispute as to which contractor was responsible for the damage.



### Claim Example #2

A local resident leaving a construction project office tripped over rebar lying on the public sidewalk along the construction site. There were 45 contractors working on the site; four were using rebar. With an OCIP in place, the local resident’s \$200K injury claim was easily accepted and paid. The expedited handling of this claim turned this potential public relations problem into a win for the owner. Without an OCIP, would one of these contractors and their insurance carrier have accepted responsibility? If not, would the owner have been sued for the damages?



### Claim Example #3

Three years after construction was completed, a pipe located in a building overhang froze and ruptured, causing more than \$900K in damages to the interior of the building and contents. The damage resulted from the negligence of two contractors during construction. This claim triggered the Completed Operations Coverage in the OCIP policy. All damage that resulted from the water leak was repaired and covered by the OCIP.