



SUBCONTRACTORS' GUIDE TO OCIPs

Presented by

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OCIP and CCIP programs can be effective tools for owners and general contractors interested in securing good coverage and saving money through group purchasing power and enhanced safety programs. However, wrap-ups can introduce complications and disruptions in subcontractors' insurance programs that generate conflict and resentment on the project. This seminar outlines some of the problems subcontractors encounter on wrap-up projects, including abuses during the bid process, inadequate coverages, and inequitable outcomes during the post-project audit. Subcontractors and their insurance representatives will learn how to manage bid documents, get paid for program administration expenses, avoid post-project audit nightmares, and deal objectively with wrap-up administrators.

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About ABD Insurance & Financial Services

Previously one of the nation's largest privately held insurance brokerage, global risk management, and employee benefits consulting firms, ABD merged with Greater Bay Bancorp (Nasdaq: GBBK) in March 2002 and is now part of one of the country's fastest-growing family of financial services firms. ABD offers complete insurance and financial services protection including employee benefits, property & casualty, international, and retirement consulting services. At present, ABD has nearly 600 employees, 9 offices across California, and over \$100 million in annual revenues.

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ABD Construction Services Group

WHAT

Property and casualty insurance, risk management, employee and executive benefits, surety, and financial services consulting for General Contractors, Specialty and Subcontractors, Property Developers, and large Property Managers.

TARGET MARKETS

General Contractors—\$20 million-plus in receipts, typically with more than 100 employees
Specialty and Subcontractors—\$10 million-plus in receipts, typically over 20 employees
Property Developers—property values of \$350 million-plus (depending on whether commercial or residential)

SPECIAL CAPABILITIES / EXPERTISE

- ◆ Progressive insurance brokering and risk management consulting
- ◆ Risk assessment and risk exposure analysis
- ◆ Probable maximum loss (PML) studies
- ◆ Risk control (safety, security, business continuity)
- ◆ Risk transfer and funding alternative analysis
- ◆ Certificate management and contract reviews
- ◆ Industry information (news, updates, legislative reviews)
- ◆ Workers' compensation and property & casualty claims management

RECOGNITION / DISTINCTIONS

- ◆ Broker to many of California's largest, most successful contractors
- ◆ Leader in the innovative use of technology and the Internet to deliver key services and add value to the construction industry (e.g., job site safety surveys, certificate of insurance requests and management, claims reporting)
- ◆ "Endorsed Safety Services Provider" of the Associated General Contractors (AGC) of California.

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Additional information can be obtained at: <http://www.cybersure.com/godoc/150.htm>

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Mr. Sielicki is the speaker for Workshop A, "Subcontractors' Guide to OCIPs." He is a professional risk manager, and serves as risk manager for generalRoofing, the largest commercial roofing company in the United States. generalRoofing's international capabilities include new roofing systems installation and the restoration, replacement, repair, inspection, and maintenance of existing roofing systems.

Mr. Sielicki began his insurance career as a loss prevention consultant with a major U.S. insurer and has worked as a risk manager for 30 years in the construction, transportation, financial, and food industries. He is vice president of the Broward Chapter of RIMS.

Mr. Sielicki graduated from the University of Connecticut with highest honors in insurance and risk management.

Notes

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Constructing An Owner Controlled Insurance Program & Contractor Controlled Insurance Program Response Process

1. It helps to recognize that OCIP/CCIP bids are prepared infrequently.
 - a. This is an important but uncommon task.
 - b. Documenting your OCIP/CCIP process will help alleviate errors, panic, eliminate fractured or inconsistent responses, and provide for a systematic way to review results.
 - c. The documentation is the mechanism that will improve the OCIP/CCIP bidding process on future bids.
 - d. The documentation is the basis for proving what the actual credit amount is at the project close.
 - e. The documentation will allow you to implement changes as conditions warrant.
2. You must know what your organization's goals and objectives are, how they are likely to change over the duration of the proposed project, and what the desired outcome is under the scenarios that are most likely to happen.
 - a. Cost structures can change during a project lifespan.
 - b. Rates are subject to change.
 - c. The impact of renewals mid-project.
3. The goals and objectives of the owner, general contractor, insurer, and insurance agent or broker are different than yours. You must make generalized assumptions in order to construct your road map and develop a set of operating guidelines or driving instructions.
 - a. OCIP/CCIP objectives.
 - b. Sponsor objectives.
 - c. Insurer objectives.
 - d. Insurance broker's objectives.
 - e. OCIP/CCIP Administrator's objectives.

4. You must have a basic understanding of what the OCIP/CCIP programs the current marketplace is offering, what the contractual requirements are, and where the pitfalls lie:
 - a. Aon,
 - b. Marsh,
 - c. Willis,
 - d. Gallagher,
 - e. Lockton, and
 - f. Others
5. You need to know your own insurance program coverage and how your premiums are impacted by OCIP/CCIP projects.
 - a. OCIP/CCIP exclusions.
 - b. Covered as excess or as excess over valid and collectible.
 - c. Audit impact for workers compensation.
 - d. Recordkeeping requirements.
6. In order to design an OCIP/CCIP response plan, you must have a communication plan for your organization. Depending on your organization's structure it may involve many features:
 - a. Sales,
 - b. Bid preparation,
 - c. Estimating,
 - d. Award,
 - e. Pre-project planning,
 - f. Pre-project delivery,
 - g. Operations,
 - h. Accounting, and
 - i. Post project activities.

Regardless of the number of segments, the process needs to be coherent, consistent, and workable in the context of your organization's goals and objectives.

7. Building your own process.
 - a. Look at the basics:
 - i. Do you want to look at bidding OCIP/CCIP work? Why?
 - ii. Any special needs to be met, requirements to be fulfilled, or authorities obtained?
 - iii. Contract reviews and language changes.
 - iv. Estimating insurance credits and completing forms.
 - v. The impact of deductibles.
 - vi. Involving other functions and departments.
 - vii. Impact on change orders.
 - viii. Claims handling.
 - ix. Project completion.
 - x. Post project audits and final accounting.
 - xi. Wrestle you for the retainage.
 - b. Select a format:
 - i. Memo,
 - ii. Procedure, and
 - iii. Manual.
 - c. Implement.
 - d. Re-implement.
8. Complications and disruptions that generate conflict and resentment.
 - a. Typical problems encountered,
 - b. Abuses during the bid process,
 - c. Inadequate coverage problems,
 - d. Deductibles, and
 - e. Post-project audits.
9. Making documents your friends and allies.
 - a. Using the simple approach by making an exception to the bid specifications.
 - b. Completing forms the way you want to complete them.
 - c. Take control! The owner or general contractor is motivated to work with the low bidder.

10. Make sure you get paid for program and administration expenses.
11. Avoid post-project audit nightmares.
12. Dealing objectively with wrap-up administrators.

Complete presentation is available on cd-rom.