

Owner-controlled Insurance Program (“OCIPs”)

The rationale behind the OCIP is simple – the coverage placed on the project is primarily for the protection of the owner, his investors and lenders. This insurance, in conjunction with the performance security obtained through the surety bonds supplied by the general contractor, provides the owner with protection against accidental loss and failure on the part of the contractor to complete his obligations under the construction contract. As the insurance coverage is principally for the benefit of the owner, it is easy to surmise that the owner ought to control the placement of these insurances and dictate the type(s) of coverage, the limits and any additional coverages that fall outside the scope of the traditional package of insurances arranged by a general contractor.

OCIPs are primarily concerned with Wrap-up Liability and Course of Construction (“COC”) coverages. These are the two main policies covering construction projects, and to ensure the project is properly covered, both of these policies must be written to include the interests of the project owner, consultant, the general contractor and all subcontractors. The principal advantages of the owner-controlled approach are shown below:

- **Uniformity of Insurance:** As the coverage for both Property (COC) and Liability (Wrap-up) is provided by the owner, all parties to the contract will have consistent insurance coverage that meets the owner’s needs. This virtually eliminates the coverage gaps that generally arise when the contractor and subcontractors each arrange their own insurance policies.
- **Reduced Costs:** Contractors’ and subcontractors’ insurance costs to the project are reduced as the owner is providing the primary Liability and Property Insurance for the project. The savings in contractor insurance costs should at least offset the owner’s direct insurance costs. In addition, many contractors mark up their insurance costs to reflect their administrative costs. This is eliminated in owner-controlled insurance placements.
- **Tailored Placements:** The Wrap-up and COC policies placed by the owner will be written to the specific demands of the project and will be superior to the minimum insurance requirements generally found in standard construction contracts.
- **Streamlined Claims:** Claims’ settlement during the project will be streamlined as usually only one policy will apply to each of Property or Liability losses. This eliminates the delays which often arise as the insurers attempt to determine the party (owner, contractor or subcontractor) causing the loss. This enables the project to continue without unduly affecting project cash flows.