

GTAFA

G&T Accounting & Finance Association

Managing Risk and Insurance of a Large Project

June 2025

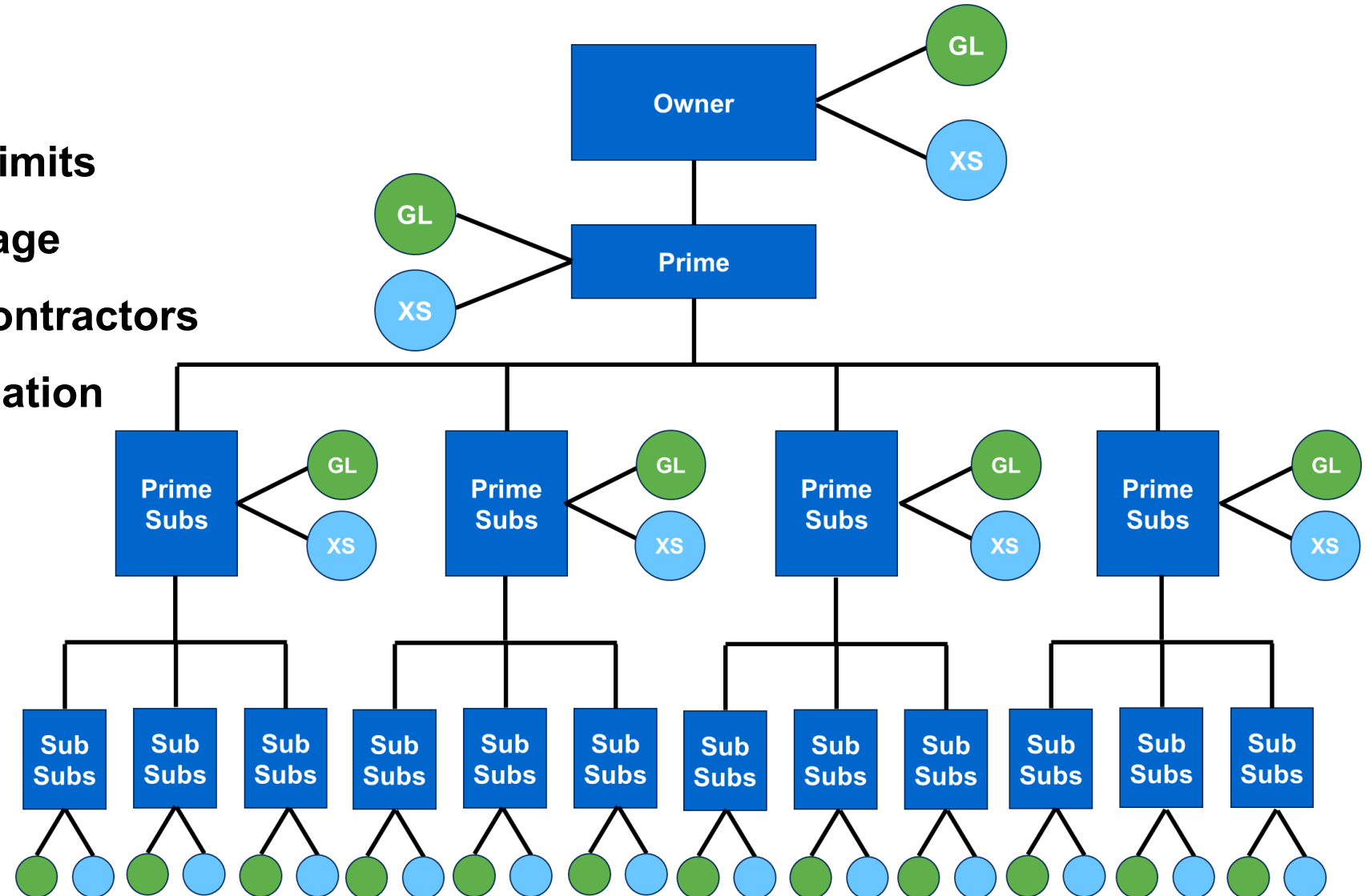


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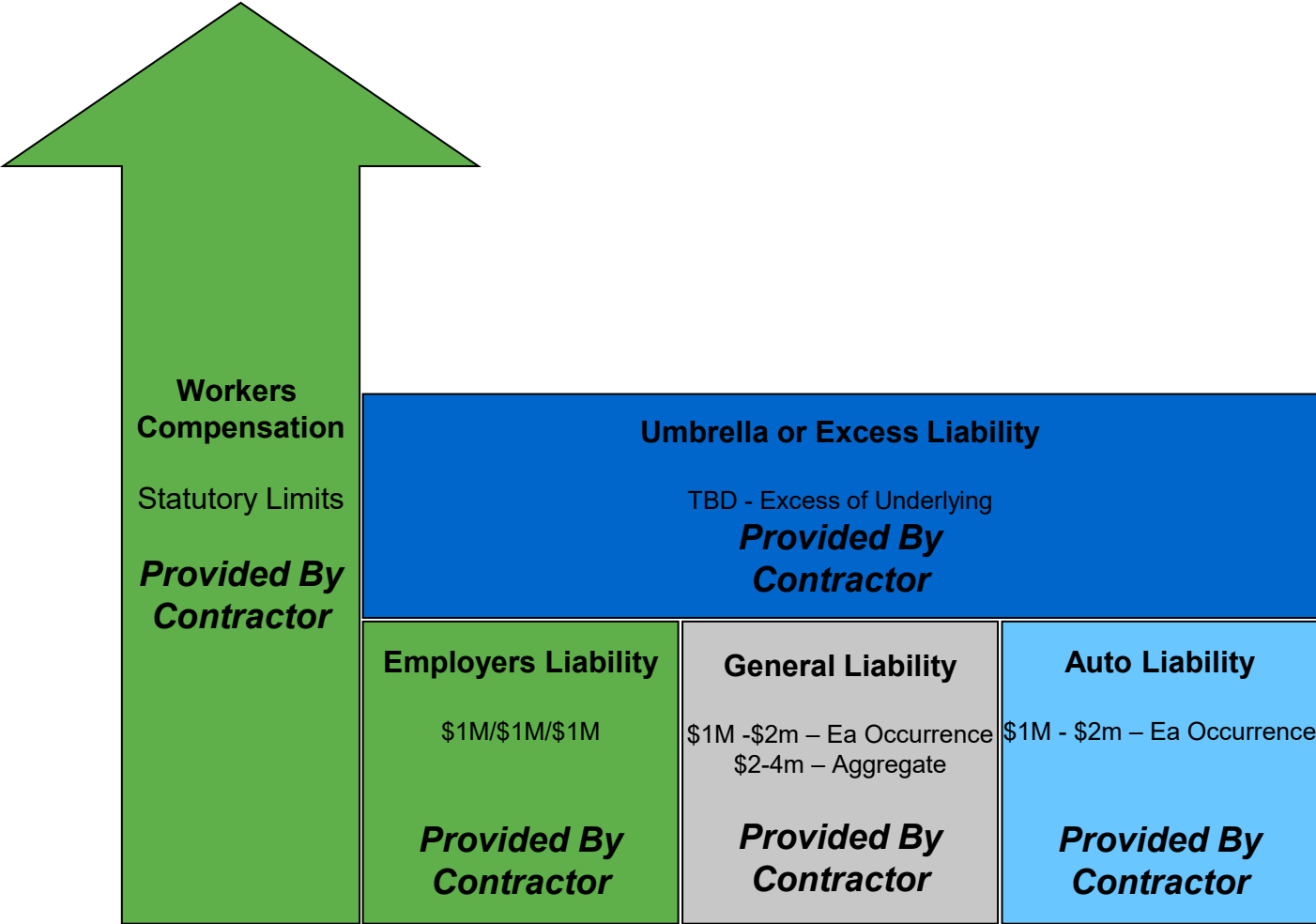
Traditional Approach To Insuring Projects

- Multiple Insurers
- Potentially Inadequate Limits
- Potential Gaps In Coverage
- Potentially Uninsured Contractors
- Potential For Cross Litigation
- Duplication Of Costs
- Stacking Of Markups
- Inefficient



Traditional Project Insurance Program

Typical Contractor / Vendor Insurance - Requirements Under Traditional Project Program



* If specifically required for work to be performed

What Is An OCIP?

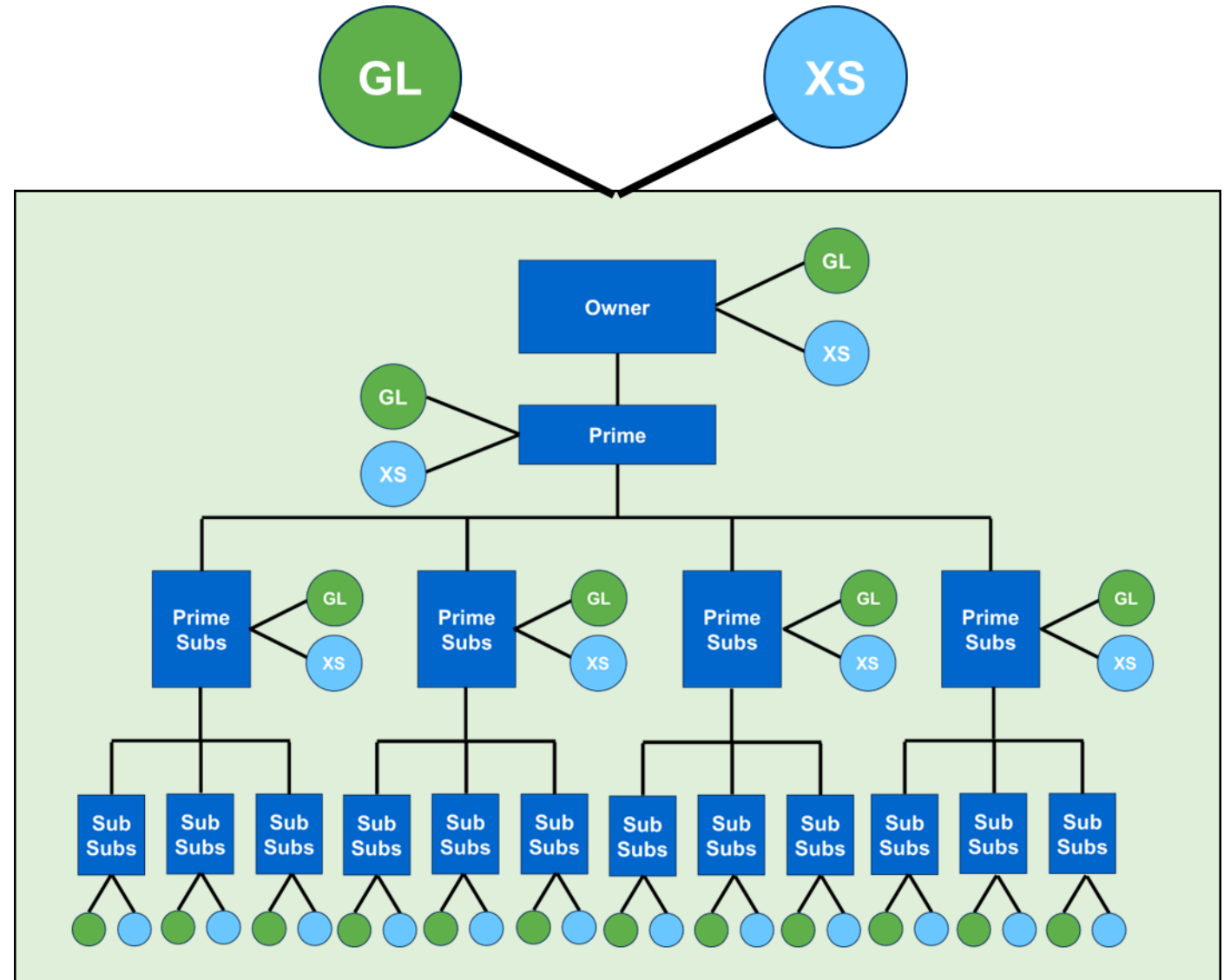
An Insurance Strategy to Control Large Project Risk and Cost

- An Owner Controlled Insurance Program (OCIP) — also known as a “wrap-up” — is a project-specific insurance program sponsored by the project owner or utility.
- Rather than having each contractor and subcontractor purchase their own coverage, the **owner provides centralized insurance** for all enrolled parties (owner, general contractor, and subcontractors).
- An OCIP allows the project owner/utility to assure insurance coverage across all contractors working on the project is a) adequate, b) consistent and c) cost effective.



OCIP Insurance Programs

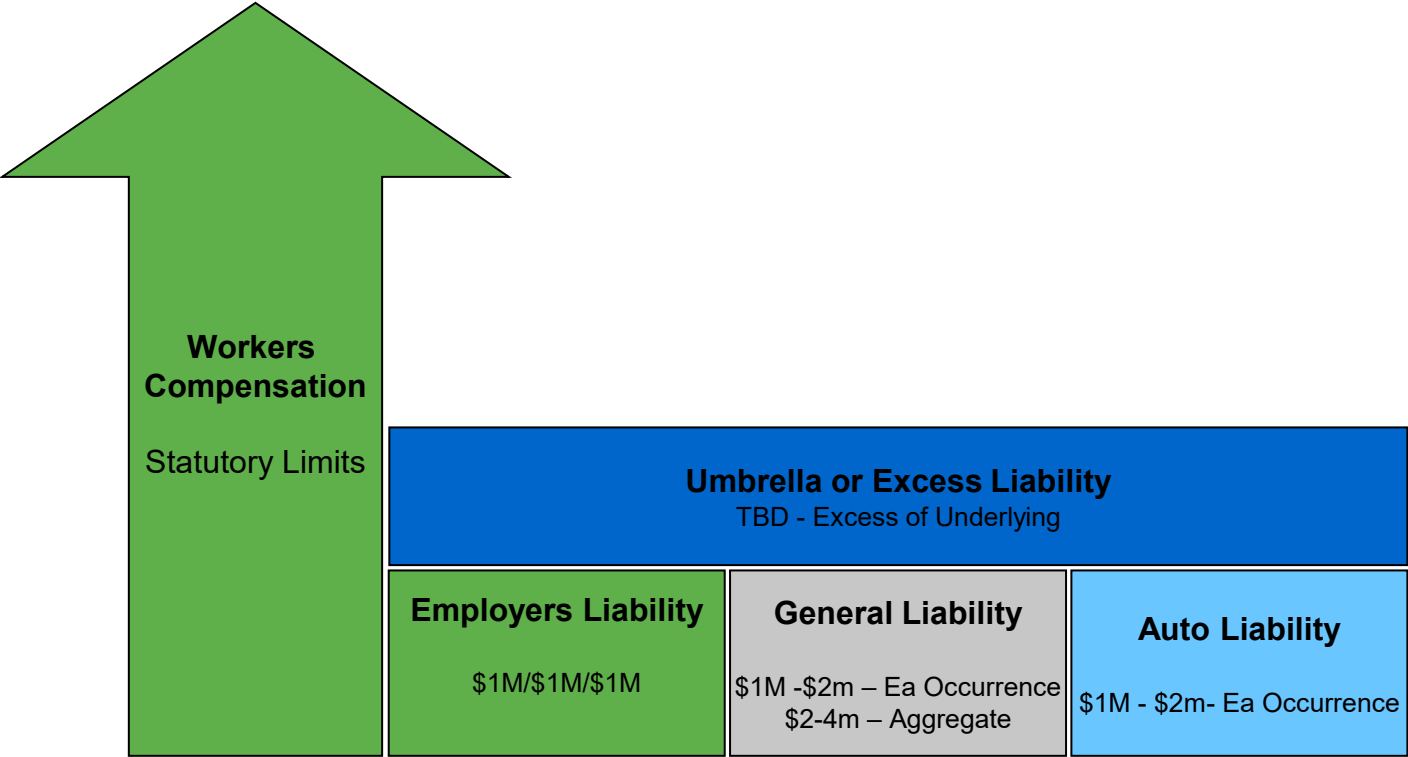
- Single Set of Insurers
- Consistent Coverage
- Control & Consistent Insurance Services
- No Cross Litigation
- Avoids Duplication of Costs
- Reduces Mark-Ups
- Efficient



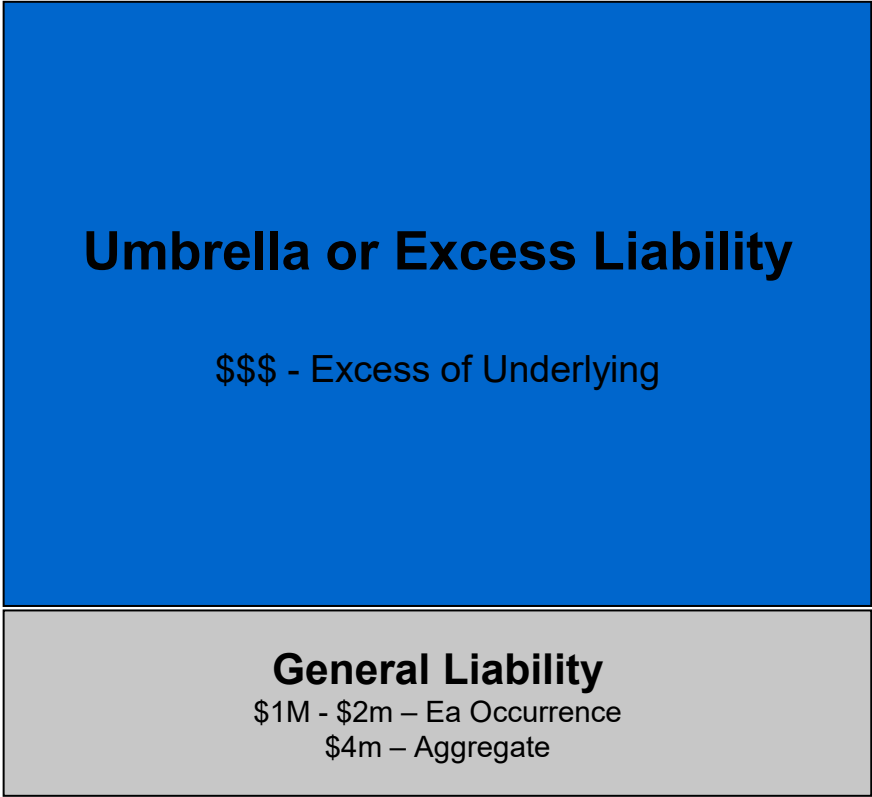
OCIP Structure (GL/Excess Only)

Coverages Maintained by Contractors and by Owner Under an OCIP

Contractor Insurance



OCIP (GL/Excess)



* If specifically required for work to be performed

Key Benefits of an OCIP

- Eliminates redundancy and inefficiencies in traditional contractor-placed policies
- Ensures adequate, consistent, and cost-effective insurance across the entire project team
- Reduces administrative burden and avoids “pancaking” of insurance costs through contractor markups



Traditional vs. OCIP Placement

Feature	Traditional Placement	OCIP (Owner Controlled Insurance Program)
Who Buys Insurance	Each contractor/subcontractor buys their own policies	Owner purchases insurance for all enrolled parties
Coverage Consistency	Varies by contractor; gaps or overlaps may exist	Uniform coverage across all enrolled contractors
Cost Transparency	Insurance costs are embedded in contractor bids ('pancaked')	Centralized cost, eliminating markups and duplication
Claims Handling	Multiple carriers and adjusters involved	Single carrier and coordinated claims process
Administrative Burden	Higher – tracked and managed across multiple contractors	Streamlined – owner manages one program
Risk Control	Limited owner oversight of contractor policies	Owner controls coverage terms, limits, and risk management
Typical Use Case	Small to mid-size projects or when OCIP not feasible	Large-scale or complex projects requiring centralized risk control

OCIP Responsibilities

Responsibility	Project Owner	Broker / Administrator
Program Design	Defines coverage scope, structure, and insurer selection	Advises on structure, markets, and carrier options
Enrollment Oversight	Ensures all eligible contractors are enrolled	Manages the enrollment process and documentation
Communication	Coordinates with internal stakeholders	Acts as liaison between owner, carrier, and contractors
Compliance Monitoring	Requires adherence to OCIP policies on site	Monitors compliance and issues certificates of insurance
Claims Oversight	Provides direction on significant claims decisions	Coordinates claims handling and communication
Loss Control	Sets project safety expectations	Provides loss control support and facilitates safety programs
Reporting	Reviews key performance and claims reports	Generates and distributes reports to stakeholders

OCIP Process & Best Practices

- **Feasibility Analysis**
- **Engage Key Stakeholders: Finance, Risk Management, Legal, & Project Team**
- **Define OCIP Scope (GL/Excess Only or Additional Coverages)**
- **Underwriting and Insurance Placement**
- **Draft Program Documents (Insurance Requirements and OCIP Procedures Manual)**
- **Bind Coverage**
- **Contractor Enrollment & Program Administration (including Premium Allocations/Deductibles)**
- **Implement Safety & Loss Control Program**
- **Closeout & Post Completion Activities**



How to Ensure Success....
Start Early!

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Property Insurance During Course of Construction (Owner-Placed Builders Risk)

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Builders Risk Insurance

- Builders Risk Insurance is a specialized type of property insurance designed to protect buildings and structures under construction.
 - Also known as Construction All Risk Insurance.
- **Once construction is completed, coverage typically transitions to the operational property insurance policy held by the utility.**



Key Benefits of Owner-Placed Builders Risk

- **Control of Coverage:** The utility retains control over policy structure, limits, and insurer selection — ensuring alignment with project needs. The utility is also the named insured and controls policy.
- **Control of Cost:** Avoids potential contractor markups, overhead, or bundled fees by placing the coverage directly.
- **Control of Claims:** Ensures the utility oversees the claims process, including choice of claims service provider and alignment of claim handling with the utility's interests.
- **Control of Compliance:** Better ability to meet lender requirements and manage financial risk or penalties tied to insurance non-compliance.



Key Builders Risk Considerations

- **Construction Defects Exclusions:**

- LEG 1 - Broad exclusion of all construction defects (typically avoided).
- LEG 2 - Excludes cost to correct defective work but covers ensuing damage (more common, but not always available).
- LEG 3 - Excludes only the cost to improve defective work; covers all else (most favorable, rarely offered).

- **Hot Testing Coverage:**

- Prefer Total Days coverage over Continuous Days for broader flexibility during testing periods.

- **Coverage Scope:**

- Builders Risk should cover the interests of the Owner, General Contractor, and all subcontractors' materials and equipment that are incorporated into the project.
- It should not extend to contractors' or subcontractors' personal property, tools, or construction equipment.





THANK YOU!



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