



Board Agenda Item 43

DATE: June 18, 2019

TO: Board of Supervisors

SUBMITTED BY: Paul Nerland, Director of Human Resources

SUBJECT: Memorandum of Understanding (MOU) for an Owner-Controlled Insurance Program (OCIP) between CSAC-Excess Insurance Authority, participating members and Fresno County

RECOMMENDED ACTION(S):

- 1 Authorize the Director of Human Resources to submit, to the Executive Committee of the California State Association of Counties Excess Insurance Authority, an application for the County of Fresno to become a member of the master rolling Owner Controlled Insurance Program (OCIP); and**
- 2. Approve and adopt, contingent upon approval of the County of Fresno's application for membership in the OCIP, the terms and conditions of the Memorandum of Understanding between California State Association of Counties Excess Insurance Authority and its participating members in the master rolling Owner Controlled Insurance Program (OCIP); and**
- 3. Authorize the Director of Human Resources, once the County of Fresno's application to become a member of the OCIP has been approved, to execute on behalf of the County the Memorandum of Understanding, and any subsequent amendment thereto as may be required relating to the Sheriff's Substation construction project, through and including the date of its final completion.**

A consortium of public entities who are members of the California State Association of Counties Excess Insurance Authority (EIA), with assistance from Alliant Insurance Brokers (Alliant), has formed a group through a Memorandum of Understanding (MOU) for the purpose of combining multiple public works projects being constructed by multiple members to create a risk sharing pool. The MOU essentially provides for the purchase of large limits of construction coverage, performance of administrative services such as claims handling and safety reporting oversight, and financing of the various insurance components, thus resulting in net project savings. See Appendix A for an Alliant slide show.

ALTERNATIVE ACTION(S):

Your Board may opt to disapprove the recommended action. The alternative is to go through the normal bid and contract process without the Owner Controlled Insurance Program (OCIP). This would allow all contractors and subcontractors to control their own insurance programs, including workers' compensation, all-risk construction coverage, general liability, auto liability, pollution, and professional errors and omissions.

FISCAL IMPACT:

There is no increase in Net County Cost associated with the recommended action. According to Alliant, the savings realized from use of an OCIP typically runs from 1% to 1.5% of total construction costs. This

program will centralize all insurance purchase, management, and application of the policies for an eligible project through Alliant Insurance Brokers. The program requires that contractor/subcontractors reduce their bids by the line item expense for insurance(s), which decreases the project cost by resulting in lower bids and allowing the purchase of large coverage policies that guarantee against any gap in coverage. It also allows smaller subcontractors access to large limit policies to which they may not otherwise have access.

DISCUSSION:

Approval of the recommended actions will authorize the Director of Human Resources to execute an MOU with CSAC-EIA, thereby allowing the County's participation in the program as a Tower II member of the Owner Controlled Insurance Program (OCIP) administered by Alliant. By enabling program participants to benefit from large economies of scale and several other cost saving measures, this risk management technique encapsulates the spirit of Administrative Policy Number 52, *Workplace Efficiencies, and Economies*.

In 1979, the California State Association of Counties (CSAC) formed the CSAC Excess Insurance Authority (EIA), a Joint Powers Authority, for the sole purpose of finding cost effective insurance solutions and risk management services for its members, which includes the County of Fresno. This innovative and successful approach to insurance has been instrumental in the growth of CSAC-EIA programs and its membership, which has expanded to include 55 of 58 counties in California and in total over 1900 public entities.

The CSAC-EIA's Master Rolling Owner Controlled Insurance Program (MR OCIP) enables its participating members to purchase workers' compensation, all risk/builders risk, pollution, auto, and large-limit general liability coverage for all eligible parties-owner, general contractor, and subcontractors-working on construction projects.

These policies, known as "wrap-ups", are widely used on public sector construction projects and capital improvement programs. They offer the participating entity several benefits, including cost savings, better coverage, more control, and higher limits of insurance than a traditional approach to construction insurance. Additionally, they can be beneficial to disadvantaged business entities in meeting the insurance requirements of their prospective jobs. The MR OCIP program can include projects as small as \$10 million and in aggregate more than \$100 million, thereby enabling members to receive the benefits of a "wrap-up" on projects that otherwise would not qualify because of their smaller size.

One way for owners, general contractors (GC) and subcontractors to cut costs is to be involved with an Owner-Controlled Insurance Program (OCIP). According to the US Department of Transportation website, "the basic operation features of an OCIP...are: (1) the owner/contractor purchases insurance coverage (all or some specific elements) to cover all contractors and subcontractors on a project; (2) there is an integrated owner-contractor managed safety program on the project; and (3) claims are processed centrally." In this case, these insurance management aspects of the project would be provided through Alliant Insurance, the Broker of Record for CSAC-EIA.

The rationale for purchasing these "wrap-ups" is that the insurance will cost less when purchased in bulk, as opposed to having each contractor on the project purchasing and using its own insurance. Whether it is the owner or the general contractor (GC) that purchases the insurance policy, once the policy is purchased, they will have the other contractors who would be covered on the insurance policy break out their potential insurance costs on their bid. Once an exact insurance cost for the OCIP policy is determined, the owner or GC will lower the contract price by that amount and the contractor will need to accept or decline that reduced contract amount.

ATTACHMENTS INCLUDED AND/OR ON FILE:

On file with Clerk - MOU

On file with Clerk - Attachment A

CAO ANALYST:

Ron Alexander