



CSURMA

POLICY AND PROCEDURE NO. 20

ADOPTED: September 13, 2013

AMENDED: November 6, 2013
December 5, 2014 (OCIP I Extension)
April 25, 2018 (OCIP II)

EFFECTIVE: January 1, 2012 (OCIP I)
December 31, 2014 (OCIP I Extension)
January 31, 2018 (OCIP II)
August 20, 2019 (OCIP Iib)

SUBJECT: Owner Controlled Insurance Program

PURPOSE:

CSURMA launched the Owner Controlled Insurance Program (OCIP) to realize a cost savings, improve coverage, and efficiently administer General Liability, Completed Operations Liability, Property, and Workers' Compensation coverage for all contractors performing construction work on CSU's construction projects over \$10M as established by the CSU Chancellor's Office Capital Planning, Design and Construction Office (CPDC). Additionally, CSURMA purchased insurance covering Contractor's Pollution Liability (CPL) and Owner's Protective Professional Indemnity (OPPI) to supplement OCIP. Separately, CSURMA maintains a Builder's Risk Insurance Program (BRIP), which is addressed in Policy & Procedure No. 24. The purpose of this Policy and Procedure No. 20 is to describe the operation of the program and provide a process for CSURMA and CPDC to collaborate on administering the program efficiently and effectively.

POLICY:

It is the policy of CSURMA that the Program Administrator, Chancellor's Office Accounting Department (Accounting) and Systemwide Office of Risk Management will collaborate with CPDC to administer the OCIP as described in this Policy and Procedure.

PROCEDURE:

PART A: CSURMA OCIP II

Section 1: General Procedures

1. CSURMA shall pay the insurance premiums and deductible collateral up front to the Program Administrator, and added premiums through audit; i.e., the quarterly report of projects enrolled during the quarter. CSURMA will recover the advanced monies from Campus Projects on a project-by-project basis, as described herein.

2. The insurance premiums shall include the costs for Contractor's Pollution Liability (CPL) and Owner's Protective Professional Indemnity (OPPI). CSURMA shall pay the insurance premiums up front, including any additional premiums that arise from audits. CSURMA shall invoice Campus Projects the amounts it paid for CPL and OPPI for each enrolled project CPDC shall promptly review the invoice and upon agreement of the amount, Campus Projects shall remit the amount to CSURMA.

3. The Program Administrator shall manage the OCIP carrier contracts, collect required data from the contractors directly each month, and develop and maintain a quarterly report which will be used by CSURMA and CPDC to determine the cost of the OCIP on a per-project basis. The quarterly report shall contain:
 - Projects started, continuing, or completed in each quarter.
 - Completed projects shall not drop off report.
 - Project start and completion dates.
 - CPDC project name and CPDC project number.
 - Initial Construction Contract Value, which varies by procurement method as follows:
 - For CM at Risk or Design-Bid-Build: Total construction contract award amount.
 - For Design-Build: Total contract award minus pre-construction and design costs
 - Initial premiums and deductible collateral for each project.
 - Updated, final / completed premiums and deductible collateral for each project based on final labor costs and loss rates.
 - Total premiums and deductible collateral for all projects.
 - Audited final labor costs.
 - Final labor costs as a percentage of the Initial Construction Contract Value for each project.
 - Contractor bid credits collected through deductive change orders.
 - Column to indicate which projects are subject to Bid Credit Tracking
 - Claims & loss report with actual to date loss rate (provided separately).

4. For OCIP II and any extension or renewal thereof, the Program Administrator's billings to CSURMA will be based on the construction value enrolled in each quarter as reported on the quarterly report and approved by CPDC. The program's fixed premium and collateral will be calculated by the carrier based upon the construction values in the approved quarterly report. At program inception, the Program Administrator will invoice CSURMA the fixed deposit premium and the collateral.

Payment Provisions - All invoicing shall be done on templates as agreed upon by CPDC and CSURMA.

Section 2: OCIP Enrollment and Invoicing

1. The Program Administrator shall enroll new projects in OCIP with an Initial Construction Contract Value of \$10 million or more during the construction contract award process (including projects that are in multiple phases with a cumulative value of at least \$10 million). There will be a pre-enrollment period for contractors and their subcontractors in the months

leading up to a construction contract award. During this time the contractors will receive enrollment and safety information and will submit cost of insurance documentation for the policies the CSURMA OCIP will replace.

2. After CPDC and CSURMA approve the quarterly reports, Alliant will provide the carrier with the construction value enrolled in the quarter. The carrier will use those values as the basis to invoice CSURMA for the insurance costs. CPDC will review the invoices and the supporting information provided by Alliant and approve or reject the invoices.
3. Upon approval of the invoices by CPDC, Alliant will forward the invoices to CSURMA along with supporting documentation and CPDC's approval.
4. CSURMA will receive all funds collected for the contractors' insurance costs by project through change orders. Those costs will be identified by Alliant and provided to CSURMA. The funds transfer will take place via Cash Posting Order (CPO). Alliant will maintain an accounting of the identified funds each quarter and include the information in the quarterly report.

Section 3: OCIP Project Completion Activities

1. At the completion of a project the Program Administrator shall add to the quarterly report:
 - Final labor costs.
 - Project completion date.
 - Final premium amounts.
 - Confirmation that all contractor closeout materials have been submitted.
 - Within 30 days of completion the Program Administrator shall separately provide a clearance letter to CPDC for release of contractor retention.
 - Final value of change orders for contractors' insurance costs.
 - Other required information as described in Section #2.
2. As described above, the Program Administrator shall submit the quarterly report to CPDC for review and approval.
3. Upon CPDC's approval of the invoices, CSURMA shall collect the monies invoiced via CPO to recover, or credit as necessary, the final premiums from the project.

Section 4: OCIP Program Closeout

1. After completion of a project, and over the duration of OCIP policy coverage, the Program Administrator shall continue to administer project claims.
2. Because the benefits of the OCIP apply system wide, CSURMA shall not allocate a charge for missed investment income on advanced premiums.

Section 5: OCIP Program Savings (Dividends)

In respect of dividends that may be earned by the OCIP, CSURMA and CPDC agreed as follows:

1. Because actual dividends are dependent on the actual loss experience of all projects insured by the OCIP, the loss amount (i.e., *expected losses*) used by the insurers to estimate the amount of dividends will likely differ because *actual losses* will not be known until some time after the conclusion of the OCIP coverage period.
2. To enable CPDC to determine ultimate project insurance costs and to facilitate premium adjustments, CSURMA and CPDC agreed to a premium payment process such that all premium invoices will be paid by CSURMA, and Campus Projects will reimburse CSURMA the Project's Net Insurance Cost.
3. CSURMA and CPDC mutually agreed that actual dividends paid under the Program will be retained by CSURMA, and CSURMA solely retains all rights to determine the disposition of any and all dividends.

PART B: CSURMA OCIP II b

Section 1: General Procedures

5. CSURMA shall pay the insurance premiums and deductible collateral up front to the Program Administrator, and CSURMA will recover the advanced monies on a project-by-project basis, through CPDC, as described herein.
6. The Program Administrator shall manage the OCIP carrier contracts, collect required data from the contractors directly each month, and develop and maintain a quarterly report which will be used by CSURMA to invoice for the cost of the OCIP on a per-project basis. The quarterly report shall contain:
 - Projects started, continuing, or completed in each quarter
 - Completed projects shall not drop off report
 - Project start and completion dates
 - Project name and project number
 - Initial Construction Contract Value, which varies by procurement method as follows:
 - For CM at Risk or Design-Bid-Build: Total construction contract award amount
 - For Design-Build: Total contract award minus pre-construction and design costs
 - Initial premiums and deductible collateral for each project
 - Updated, final / completed premiums and deductible collateral for each project based on final labor costs and loss rates.
 - Total premiums and deductible collateral for all projects
 - Audited final labor costs
 - Final labor costs as a percentage of the Initial Construction Contract Value for each project
 - Estimated final value for reduced contractor insurance costs for each project

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- Claims & loss report with actual to date loss rate (provided separately).
7. For the initial Program Period (OCIP II b), the Program Administrator's billings to CSURMA will be based on the programs' fixed premiums and a 68% loss rate of the maximum aggregate deductible, which equates to a 2.072% project billing rate relative to the Initial Construction Contract Value (a total of \$10,358,204.00 program cost).
 8. CSURMA's billings to the projects will be based on a pro-rata portion of the fixed premiums at a 1.7% project billing rate relative to the Initial Construction Contract Value of projects as enrolled.

Section 2: OCIP Enrollment and Invoicing

5. The Program Administrator shall enroll new projects in OCIP with an Initial Construction Contract Value of \$10,000,000 or more during the construction contract award process. There will be a pre-enrollment period for contractors and their subcontractors in the months leading up to a construction contract award. During this time the contractors will receive enrollment and safety information and will submit cost of insurance documentation for the policies the CSURMA OCIP will replace.
6. The Program Administrator shall provide a quarterly report, adding new projects that have started construction during the quarter, along with the initial premium for each project. The Program Administrator will also provide updated information to the existing projects in the quarterly report. The Program Administrator shall submit the quarterly report to Accounting and CPDC program administrators simultaneously for review and approval.
7. When CPDC and CSURMA approve the quarterly reports CSURMA accounting will use them as the basis to invoice the projects for the initial insurance costs of the enrolled projects based on a 1.7% of Initial Construction Contract Value.
8. All invoicing shall be done on templates as agreed upon by CPDC and CSURMA.
9. Upon approval of the invoices by CPDC, CSURMA shall collect the monies invoiced for the projects via Cash Posting Order (CPO).

Section 3: OCIP Project Completion Activities

4. At the completion of a project The Program Administrator shall add to the quarterly report:
 - Final labor costs
 - Project completion date
 - Final premium amounts

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- Confirmation that all contractor closeout materials have been submitted. Within 30 days of completion the Program Administrator shall separately provide a clearance letter to CPDC for release of contractor retention.
 - Other required information as described in “Procedure” Section #2.
5. As described above, the Program Administrator shall submit the quarterly report to Accounting and CPDC for review and approval.
 6. The Program Administrator’s quarterly reports will be used as the basis for CSURMA accounting to invoice the projects for the final additive or deductive reconciliation of insurance costs for the enrolled projects, based on final labor costs.
 7. To benefit enrolled projects with predictable OCIP insurance costs, there shall be no premium adjustment for projects that are completed within five percent (5%) of their original projected premium cost. Projects that are completed with a final calculated premium cost exceeding 105% of their original projected premium cost shall be invoiced at 0.73% of the amount exceeding 105%. Projects that are completed with a final calculated premium cost lower than 95% of their original projected premium cost shall be credited the amount less than the original projected premium cost.
 8. Upon CPDC’s approval of the invoices, CSURMA shall collect the monies invoiced via CPO to recover, or credit as necessary, the final premiums from the project.

Section 4: OCIP Program Closeout

3. After completion of a project, and over the duration of OCIP policy coverage, the Program Administrator shall continue to administer project claims.
4. Following completion of the initial OCIP II b program term, CSU, acting through CPDC, may close out or re-enroll in a second CSURMA OCIP II program with the Program Administrator and the carrier(s). At that time premium dividends and deductible obligations will be subject to a final settlement based on total construction value and actual loss rates. During and after this time the Program Administrator and the carriers may still be actively involved with outstanding claims, but the projects’ premiums and dividends may be closed.
5. Any additive or deductive adjustments made to the total program costs based on the reconciliation(s) described above shall be passed through to CSURMA reconciliation billing. This is expected no later than 18-24 months after the CSURMA OCIP II b program closeout.

Because the benefits of the OCIP apply systemwide, CSURMA shall not allocate a charge for missed investment income on advanced premiums.

PART C: CSURMA BRIP

Section 1: General Administration

1. Annually by the program anniversary date of July 1, the Program Administrator, the Program Underwriters, and CPDC shall develop a quarterly payment schedule based on anticipated project enrollment. A schedule of premium deposits would include: July 1 for new policy year deposit, October 1, first quarter premiums, January 1 for second quarter premiums, and April 1 for third quarter premiums. For subsequent years, the July 1 deposit would include all projects enrolled in the fourth quarter along with the new policy year deposit.
2. The quarterly payment schedule of premium deposits may be adjusted by mutual agreement with the underwriters if project starts or construction amounts vary from the information on which the anticipated payment schedule is based.
3. a) Premium Deposit Invoice.
The Program Administrator shall provide quarterly premium deposit invoices to CPDC based upon the agreed upon quarterly premium deposit payment schedule, and these invoices will include the project name and CPDC project number. CPDC will pay these premium deposit invoices within 30 business days of receipt.
b) Reconciliation Invoice.
The Program Administrator shall also provide quarterly reconciliation invoices to CPDC, based on CPDC's quarterly reports. These reports shall contain, for the preceding quarter detail of initial premiums for actual new construction starts and final premium adjustments on completed projects that are deemed closed by CPDC. The quarterly reconciliation invoices shall also detail all CPDC payments of premium deposit invoices made and credit previous payment of premium deposit invoices from the actual amount due on each invoice. If the quarterly reconciliation invoice after the application of previously paid premium deposit invoices, is 1) a net credit, this credit shall be debited from the next quarterly premium deposit invoice due as identified in the premium deposit payment schedule, 2), if a net add, the amount shall be carried over to the following quarterly premium deposit invoice or year-end premium audit invoice calculation.
4. The Program Administrator will identify and include applicable premium taxes / fees to be added to each invoice at the rates established by the Department of Insurance. CPDC completed, closed projects exceeding \$5,000,000 in construction cost will pay the applicable final adjusted premium and tax /fee rate, when invoiced, based on the policy year when originally enrolled in BRIP.
5. The Program Administrator will provide the carrier's endorsements to CPDC naming each project enrolled with each reconciliation invoice. The endorsements will include each project's name and CPDC project number. Additionally The Program Administrator will prepare and send evidence of coverage certificates immediately as each project is enrolled as required by campuses for their contractors performing work on enrolled projects.

PART D: Definitions

As used in this Policy and Procedure, the following terms are defined:

Accounting: CSURMA has engaged the CSU Chancellor's Office Department of Financial Services to perform OCIP accounting duties on behalf of CSURMA.

Campus Projects: means CSU's construction projects that are enrolled in the Program.

CSURMA: CSURMA is the California State University Risk Management Authority which is a joint powers authority separate from the CSU and its participating auxiliary organizations. CSURMA has established various programs for insurance and self-insurance to serve the University, including OCIP.

CPDC: CSU's Department of Capital Planning, Design and Construction in the Chancellor's Office is the primary client for the OCIP and the designated representative for managing the program internal to the CSU. CPDC serves as the Program's administrative overseer to ensure the accuracy of all construction values, project insurance costs, bid-credit tracking and savings, and other information necessary for the Program's quarterly reports.

OCIP Initial Construction Contract Value - varies by procurement method as follows:

- For CM at Risk or Design-Bid-Build: total construction contract award amount.
- For Design-Build: total contract award less pre-construction and design costs.

Program: means the Owner Controlled Insurance Program (OCIP), Owner's Protective Professional Indemnity (OPPI), and Contractor's Pollution Liability (CPL) insuring the CSU's construction projects.

Program Administrator: CSURMA has appointed Alliant Insurance Services, Inc. as Program Administrator responsible for designing and implementing the OCIP serving the CSU and auxiliary organization participants.

Project's Net Insurance Cost: means the final cost chargeable to Campus Projects for OCIP, OPPI, and CPL. The final costs shall be calculated to include the cost savings anticipated from the future payment of dividends by the program's insurers.

Program Underwriters: The insurance companies that underwrite the Program's insurance policies.

Systemwide Office of Risk Management: CSURMA has engaged the CSU Chancellor's Office Department of Risk Management to provide risk management consulting services to the CSURMA including oversight of the programs.