



# “Clearing Insurance Hurdles Through Quality Assurance Programs”

***Presented by: NAHB Research Center***  
**Don Carr, Moderator**

*Dedicated to improving home building since 1964.*

## IMPORTANT – PLEASE READ:

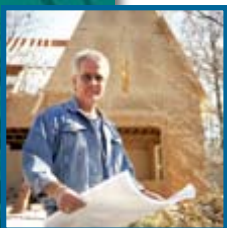
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# Management Practices For Insurable Success

**Mike McMichael**  
**Senior Construction Risk Consultant**  
**Zurich Services Corp.**

# Risk transfer

- **Contracts**
  - **Scopes of work**
- **Insurance**

# Risk Management Practices

- **Quality assurance**
- **Customer service and warranty**
- **Documentation**

# Quality Assurance



- **Construction standards**
- **Specs and scopes of work**
- **Third party engineering**
- **Qualified personnel and trades**
- **Training**
- **Control and improvement**
- **TPI**

# Customer Service and Warranty

- **Define customer expectations**
- **Proactive service**

# Documentation

- **Sales process**
- **Construction process**
- **Retention and storage**





# OCIPs: Advantages, Disadvantages and The Continued Need for Quality Assurance Programs

**Toni Johnson**

**Senior VP**

**Marsh USA**

# Quality Assurance Programs

- **Third Party Review and Oversight of**
  - **Documentation**
    - Quality Assurance Program
    - Inspection Results
    - Sales Documents
      - Brochures
      - Sales Contracts
      - Looking at “Implied Warranty” Exposures & waivers in Sales Contracts
  - **Construction Process (including design & field changes incorporated into design)**
  - **Record Retention and Storage**
  - **Risk Transfer (to trade contractors/suppliers)**
  - **Contracts including Scope of work detail**
  - **Installation Instructions and Warranty Information**
  - **Compliance with Manufacturers Installation Instructions**

# Why Quality Assurance Programs Matter

- **Mandated by many insurance companies**
- **Best results are from those that already have strong commitments**
- **Better reputation amongst homeowners**
- **Reduction in claims**
- **Better defenses in event of litigation**
- **Expectation is Greater Consistency in Coverage and Quality of Programs**
- **Many programs maintain large SIR/Deductibles**



# OCIP Advantages & Disadvantages

## Definition of Controlled Insurance Program (Wrap –Up)

# Definition of Wrap-Up

- **Single Insurance Program covering the jobsite risk of the project owner, general contractor or construction manager and all subcontractors.**
- **The wrap-up program sponsor procures certain insurance coverage on behalf of some or all of the parties working at the jobsite.**
- **Wrap-ups can also be utilized on a “Rolling” basis (i.e. multiple projects at different sites) over a two-three year period.**
- **Wrap-ups are known by a variety of names based on the sponsor and focus: Owner controlled (OCIP), Contractor controlled (CCIP), Controlled Insurance Program (CIP), Project Specific Insurance (PSI), etc.**

# Coverage Typically Provided Under an OCIP

- **Workers Compensation and Employers Liability**
- **Commercial General Liability and Excess Liability insurance coverage**
- **Builders Risk**

## An OCIP Can Include:

- **Project Professional Liability – Owners Protective Professional Liability**
- **Project Pollution Liability, including mold-Contractors Pollution or Pollution Legal**
- **Inland Marine to cover transit of valuable equipment**
- **Weather delay**

## OCIPs Do Not Include:

- **Automobile Liability**
- **Contractor's Tools and Equipment**
- **Workers Compensation and Employer's Liability for "off-site" exposures**
- **Commercial General Liability for "off-site" exposures**
- **Surety Bonds**

# Owner's Viewpoint – OCIP Potential Advantages

- **More Confidence of Adequate Insurance Protection for the Owner**
- **Broader coverage and higher limits**
- **More certainty that insurance exists when you most need it**
- **Coverage during the project and after project completion**
- **Coverage for Residential projects**
- **Potential to reduce cost of overall program**
- **Potential to reduce Project delay due to accidents**
- **Reduction in claim disputes causing delays**
- **Potential for improved public relations**
- **Greater participation & education of small contractors**
- **Savings from minimizing cross-litigation**

# Owner's Perspective – OCIP Potential Disadvantages

- **Savings Might be Less Than Anticipated**
- **Potential Administrative Burden**
- **Budgeting And Accounting Issues**
- **Bidding Issues**
- **Owner Loss Control oversight involvement**

# Contractor's Viewpoint – OCIP Potential Advantages

- **Often Better Insurance – Broader Coverage, More Secure Carrier**
- **Less Litigation, Fewer Disputes**
- **Opportunity to Improve Safety through Effective Loss Control**
- **Opportunity to Improve Claims Service**

# Contractor's Viewpoint – OCIP Potential Disadvantages

- **Disruption of Contractors Own Insurance Program**
- **Administrative Burden**
- **Possibility of Reduced Limits or Restricted Coverage (Gaps)**
- **Transferring An Important Business Function to Another Party**





ZURICH

# Questions?

MARSH