

Unwrapped

"A Look Behind the Scenes of Implementing a CIP"

CMFA GA September Meeting
September 19, 2019

CIP 101 – What? Why?

- **Multiple policy structures (i.e. single, rolling, etc.)**
- **Two forms – OCIP & CCIP**
- **Certainty of coverage**
- **Control over the claims process**
- **More flexibility within the bid negotiations**
- **Access to broader/more flexible coverage language**
- **Ability to cover all liability from the subs participating in the project**
- **Coverage for full amount of Statute of Repose (state by state)**

Project CFMA GA

- **Multi-phase senior housing project**
- **Estimated construction value = \$100MM**
- **Project completion timeline = 36 Months**
- **Developer is a one-off partnership with 4 different entities**
- **Possibility of up to 3 General Contractors – All with multiple subs**
- **Completed project will consist of 50 multi-family units, 15 single story cottages, community center, and a 25 unit assisted living facility**
- **Developer is seeking a single project GL only OCIP**

Administration

- Program Documents

- Instructions to Bidders
 - Should be provided to all bidders along with the standard bid package
- CIP Procedures Manual
 - Typically used as an addendum to the contract
 - Alternative – separate contract addendum
 - CRS also makes a practice of sending out as part of the enrollment package

- What Information do the Documents Provide?

- Coverages and Limits provided by the CIP
- Coverages and Limits required to be carried by contractors/subcontractors
- Bid Method being utilized
 - Inclusive or Exclusive of insurance costs
 - Gross or Net Bid
 - Deduct or Alternate Add

Hot Button Coverage Topic #1

EIFS

- Frame or Commercial Grade?
- % of construction cost?
- Ornamental in nature?
- What type of product? Sto, Dryvit, Parex
- Certified Installer?
- Loss runs of EIFS installer

Deciding on the Bid Method

- | | | | |
|---|--------------|---|------------|
| <ul style="list-style-type: none">• Inclusive of Insurance:
Bid / Deduct<ul style="list-style-type: none">• Verification of Insurance Credits desired• Sponsor wants to see the insurance costs removed• Project was bid before decision to use a CIP• CIP purchased based on desire to reduce overall insurance costs | Gross | <ul style="list-style-type: none">• Exclusive of Insurance Costs:
Bid / Add Alternate<ul style="list-style-type: none">• Competitive Bid Environment• Instructions for bidding without insurance have been provided to all bidders• CIP purchased primarily for coverage reasons• General Contractor and trade contractors familiar with CIP | Net |
|---|--------------|---|------------|

Bid Methods Equivalent

- Gross Bid / Deduct:

\$1,000,000 (Bid price including insurance costs)
- \$50,000 (Contractor insurance costs)

\$950,000 (Bid less insurance costs)

- Net Bid / Add Alternate

\$950,000 (Bid less insurance costs)
+ \$50,000 (Contractor insurance costs)

\$1,000,000 (Bid price including insurance costs)

Hot Button Coverage Topic #2

Condo Conversion

- Plan to convert or just peace of mind?
- Location, Type of construction
- Defense Inside
- QA/QC
- Cost to remove exclusion
- Amend contract if sold

Final OCIP and Bid Method Outcome

- Single Project GL Only OCIP - \$100M CV
- All Subs and GC's included
- 36 Month Timeline
- Gross Bid Deduct Method