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The Wonderful World of Wrap-Ups: OCIPs versus CCIPs

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Session Title: The Wonderful World of Wrap-Ups: OCIPs versus CCIPS

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The Wonderful World of Wrap-Ups: OCIPs versus CCIPs

By: Issy Bustamante, Wendy Conway, Stacy Manobianca, and Gregory Podolak

Introduction to Wrap-Up Insurance Programs

In the world of construction, effective risk management is critical to the successful execution of any project. With the vast array of contractors, subcontractors, and other stakeholders involved, construction sites often become a complex web of overlapping liabilities and competing insurance policies. These challenges are particularly pronounced on large-scale projects where the stakes—and the risks—are magnified. Traditional insurance models, where each party secures its own coverage, frequently lead to needless and avoidable inefficiencies such as inconsistent policy terms, duplicative costs, gaps in coverage, and disputes that can delay progress and escalate litigation.

To address these challenges, the industry has increasingly adopted **wrap-up insurance programs**, also referred to as **consolidated insurance programs (CIPs)**. These centralized programs consolidate essential forms of coverage — such as general liability, workers' compensation, and umbrella liability — under a single, unified policy that extends to multiple project participants. Wrap-ups are **designed** not only **to simplify administration** but also to **ensure uniform coverage** and **reduce friction** among the insured parties. One meaningful way that enrolling in a CIP provides simplified administration is that it significantly reduces the likelihood of unwanted “surprises” down the road, such as the existence of various exclusions, or ineffective or nonexistent AI endorsements, contained in subcontractor policies downstream. Under a CIP, the owner of the policy knows *exactly* what coverage *every player* involved in the project(s) has.

One specific example of this simplified administration can be seen on the subcontractor’s end. For projects covered by a wrap-up insurance program, subcontractors are not required to procure their own independent insurance for work performed on the project. Instead, they are issued a certificate confirming their enrollment in the CIP, which extends the centralized coverage to their activities. Because the wrap-up policy assumes responsibility for project-specific risks, subcontractors' existing insurance carriers should adjust their premiums to exclude the exposure associated with the wrap-up-covered work. This adjustment ensures that subcontractors are not paying for duplicative coverage and reflects the risk transfer facilitated by the wrap-up program.

The prevalence of CIPs has grown steadily, particularly on high-value projects where centralized control of risk and insurance is essential. However, they are not limited to mega-projects; smaller and medium-sized projects also benefit from the efficiency and predictability these programs offer. The objectives of a wrap-up program are straightforward yet powerful:

1. **Streamlining Coverage:** Ensuring that all key parties are insured under the same terms and limits, thereby reducing gaps or duplications.
2. **Cost Containment:** Leveraging economies of scale to lower overall insurance costs.

3. **Consistency in Risk Management:** Promoting uniform safety protocols, claims handling, and policy enforcement across the project.
4. **Mitigation of Disputes:** Minimizing conflicts between insurers and insured parties through a unified coverage structure.

Despite their advantages, **wrap-ups are not a one-size-fits-all solution**. They require meticulous planning, clear communication, and rigorous enforcement to be effective. Additionally, the decision to implement a wrap-up and whether to structure it as an **Owner-Controlled Insurance Program (OCIP)** or a **Contractor-Controlled Insurance Program (CCIP)** introduces an **additional layer of complexity**. Each model shifts the responsibility for managing risk to a different stakeholder, with corresponding implications for cost, control, and liability.

For contractors, owners, and other industry stakeholders, understanding the nuances of OCIPs and CCIPs is essential for effective risk management and ensuring that the insurance structure aligns with the project's goals. The following discussion will delve into the key distinctions, benefits, and considerations of these two primary wrap-up program models.

Comparison

In the insurance industry, **OCIP** (Owner-Controlled Insurance Program) and **CCIP** (Contractor-Controlled Insurance Program) are two types of **wrap-up insurance programs** commonly used on construction projects to provide centralized coverage for multiple parties. Here are the primary differences between the two:

Owner-Controlled Insurance Program (OCIP):

- **Controlled By:** The project owner (e.g., a developer, public entity, or private owner).
- **Purpose:** Provides coverage for all enrolled parties working on the project, including contractors, subcontractors, and sometimes architects or engineers, under one policy.
- **Who Pays the Premiums:** The owner pays the insurance premiums and includes the cost in the project budget.
- **Most Common Policies Included in this Package of Coverage:**
 - General liability

- Workers' compensation
- Excess liability (umbrella coverage)
- Builders' risk
- Employer's Liability
- **Benefits:**
 - Streamlines insurance coverage for all parties.
 - Eliminates duplication of insurance and potential coverage disputes.
 - This can result in **cost savings for the owner** due to bulk pricing.
 - Provides consistent coverage limits across the project.

Contractor-Controlled Insurance Program (CCIP):

- **Controlled By:** The general contractor or construction manager.
- **Purpose:** Covers enrolled parties, including subcontractors, for specific project-related risks under one policy.
- **Who Pays the Premiums:** The contractor typically pays the premiums, which are often **built into the project cost**.
- **Most Common Policies Included in this Package of Coverage:** Similar to OCIP, usually including:
 - General liability
 - Workers' compensation
 - Excess liability (umbrella coverage)
 - Builders' risk
 - Employer's Liability
- **Benefits:**
 - **Provides the contractor with greater control** over insurance administration.

- Can improve efficiency and consistency in claims handling and safety management.
- **May reduce costs for contractors who can negotiate favorable terms.**

Key Differences:

Feature	OCIP	CCIP
Controlled By	Project owner	General contractor
Premium Paid By	Owner	Contractor
Focus	Owner's control of risk	Contractor's control of risk
Risk Management	Owner oversees safety program	Contractor oversees safety program

In summary, **the main distinction is who controls and funds the insurance program.** Both programs aim to simplify coverage and reduce overall costs for large-scale construction projects. The choice between OCIP and CCIP often depends on the project's size, complexity, and who has the greater incentive to manage the associated risks.

Two Line Wraps and State Variability:

Two line wraps for CCIPs are not guaranteed in every state. For example, in Florida, contractors may have the option of securing a rolling GL-only wrap, which offers a streamlined and focused approach to coverage.

Deductibles and Collateral:

GL-only wraps typically have smaller deductibles, as low as \$25,000. Additionally, collateral requirements are generally limited to two-line wraps, with GL-only wraps avoiding these requirements altogether.

Insurance Credits in Wrap-Up Programs

One of the lesser-discussed but significant drivers of cost savings in wrap-up programs is the concept of insurance credits. These credits arise from the economies of scale achieved when insuring an entire project under a single policy rather than multiple policies from various contractors and subcontractors.

For OCIPs, pricing is also driven by insurance credits. Owners typically collect approximately 0.80% of the credits, allowing them to save even more money. These savings often offsets a significant portion of the program's administrative costs, making OCIPs highly appealing to developers and other project owners.

Similarly, CCIPs benefit from credits, but the structure and allocation of these savings depend on the contractor's negotiations with insurers and the specific jurisdiction. We should emphasize credits as a critical factor in why wrap-ups help monetize insurance. Whether it's an OCIP or a CCIP, these programs can unlock substantial financial benefits through properly structured insurance credits.

Jurisdictional Challenges

While wrap-up programs provide numerous advantages, their implementation varies significantly by jurisdiction due to state-specific legal and market conditions.

For example, in Florida, condominium projects—regardless of size—almost always require a wrap-up program because subcontractors typically lack adequate coverage for such projects. In contrast, New York's labor laws mandate wrap-ups for many projects due to heightened liability exposure, but the cost of implementing a wrap often makes it unprofitable for either the owner or the contractor.

Additionally, on larger condominium projects in Florida, there is often a need for a substantial number of carriers to build the necessary insurance tower. In some cases, there may be more than 20 carriers involved to ensure adequate coverage, which adds complexity but is essential for addressing the higher risks associated with these projects.

Wrap-Up Program Administration and Execution

Effective implementation of a wrap-up program requires meticulous planning and coordination among all stakeholders. The following considerations are essential for successful execution:

1. **Enrollment and Coverage:** Ensuring that all contractors, subcontractors, and other relevant parties are enrolled and fully understand the terms of coverage.

2. **Claims Management:** Establishing a centralized process for reporting, investigating, and resolving claims promptly to avoid project delays.
3. **Safety and Loss Prevention:** Implementing standardized safety protocols and monitoring compliance to minimize the risk of accidents.
4. **Financial Administration:** Tracking costs, including insurance credits and deductibles, to maximize savings and ensure transparency.

OCIP or CCIP? Which One is Better to Have for your Project(s)?

Neither **OCIP** nor **CCIP** is inherently "better" than the other. The suitability of one over the other depends on the specific circumstances of the project, including who holds the most significant interest in controlling risk, the size and complexity of the project, and the parties involved. Here's a breakdown of factors that might make one program more advantageous than the other:

When an OCIP Might Be Better

Traditionally, risks on construction projects are managed by requiring each contractor to secure their own insurance from their chosen provider. These insurance costs are then factored into the contractor's overall cost structure and ultimately embedded in their bid. When a project owner selects a contractor, they indirectly bear these insurance costs, spread across multiple brokers and carriers, as part of the total project price.

An OCIP offers an alternative that simplifies and centralizes this process. Instead of individual contractors managing their own policies, the property owner secures a single comprehensive insurance policy that covers all project-related risks. **Securing an OCIP can provide owners with peace of mind that they have a one-stop policy that includes coverage for various risks such as construction activities, environmental exposures, materials, hazards, workers' compensation, and even specialized risks like terrorism insurance—all under one unified policy with a single insurer.** In addition, owners have a more complete and simplified sense of their total costs in shoring up risk transfer, rather than paying it indirectly through multiple contractors that build in the costs of having to hold insurance in their overall bid.

Below are some key bullet points highlighting the benefits of an OCIP.

1. **Project Size and Owner's Interest:**
 - **Large-scale projects** or portfolios of projects **where the owner wants consistent coverage across multiple contractors.**

- **The owner is highly concerned about risk control and wants direct oversight** of claims and safety protocols.

2. Cost Control and Efficiency:

- **Streamlined Costs:** One policy premium covers all contractors and subcontractors, eliminating the scattering of costs across multiple bids. This **allows for more transparent budgeting and cost management**.
- **Centralized Administration:** Owners work with a single insurer or broker, granting total control over administrative fees and costs.
- **Multi-Project Discounts:** **Owners with several simultaneous construction projects** (e.g., a school system development or real estate portfolio) **can often secure one OCIP for all projects, leading to additional cost savings through bulk pricing.**

3. Uniform Coverage and Simplified Compliance:

- Ensures that all contractors and subcontractors are covered by necessary insurance, reducing the risk of uncovered losses and compliance issues.
- **Removes the need for subcontractors to obtain and include individual insurance** in their bids, which **can reduce overall project costs.**

4. Safety and Loss Prevention Coordination:

- **OCIPs are particularly suited for high-value projects** (traditionally \$100 million or more) and can serve as a profit center for the insurance sponsor. This allows for improved coordination of safety measures and loss prevention strategies, which are critical for large and complex projects.

5. Dispute Resolution Efficiency:

- OCIPs often include a joint defense requirement, which can save significant resources, including time and money, by streamlining dispute resolution processes. This reduces the likelihood of finger-pointing between insurers for different contractors.

6. Public or Institutional Projects:

- **Frequently used in government or institutional projects**, where strict control over insurance terms and safety standards is necessary.

When a CCIP Might Be Better

General contractors often benefit from implementing a CCIP, as it provides them with direct control over the safety plan for the construction projects covered under the policy. Leveraging their expertise in maintaining safe worksites—particularly if they have a strong safety track record—general contractors can enhance risk management and reduce incidents. Additionally, **CCIPs tend to be more cost-effective than OCIPs or traditional insurance programs, as the contractor's active oversight and proven safety performance often result in lower premiums and improved overall efficiency.**

Below are some key bullet points highlighting the benefits of a CCIP.

1. Contractor's Control:

- **The contractor has significant risk management expertise** and prefers to manage insurance and safety for the entire site.
- Gives contractors more control over claims management and subcontractor compliance.

2. Streamlined Administration:

- **Reduces administrative burden for the owner**, as the contractor handles insurance-related issues.

3. A Larger Contractor Pool:

- Subcontractors aren't required to have their own insurance, **allowing contractors to work with a broader range of subcontractors, including smaller ones who might otherwise struggle to meet insurance requirements.**

4. Adequate Coverage Limits:

- Ensures comprehensive coverage for the project, giving peace of mind to both project owners and contractors that they are insured from top to bottom and that all parties are protected under the same policy.

5. Insurance Control and Risk Management:

- Puts the contractor in charge of identifying and managing risk at all levels throughout the project, allowing for proactive mitigation strategies.

6. Coordinated Claims Handling:

- Simplifies claims management, as all parties are covered under a single policy, which reduces conflicts between insureds and streamlines the resolution process.

7. Reduction in the Number of Insurers:

- A single insurer covering the entire project facilitates easier claim management and coordination, minimizing potential disputes among multiple carriers.

8. Smaller or Moderate-Sized Projects:

- CCIPs are often more practical for smaller projects where the owner doesn't need or want to control the insurance program.

9. Contractor Preference:

- Some contractors may already have established CCIP programs and prefer to leverage them for consistency and efficiency.

Comparative Advantages and Drawbacks:

Factor	OCIP	CCIP
Control Over Risk	Owner has direct control.	Contractor has direct control.
Administrative Burden	Falls on the owner.	Falls on the contractor.
Cost Savings	Potential for owner savings via bulk.	Contractor can negotiate savings.
Coverage Gaps	Less likely; owner standardizes terms.	Potential gaps if subcontractors aren't fully enrolled.
Claims Management	Owner oversees claims.	Contractor oversees claims.
Safety Programs	Owner manages safety.	Contractor manages safety.

Key Considerations for Decision-Making:

1. Risk Appetite:

- **If the owner has a low risk tolerance, OCIP may be preferable.**
- **If the contractor is equipped to handle risk management, CCIP may work better.**

2. Cost Sharing and Transparency:

- **Owners may prefer OCIP to ensure no hidden costs in contractor bids.**
- **Contractors may prefer CCIP to include insurance costs in their pricing and control margins.**

3. Complexity of the Project:

- **OCIP tends to work better for multi-contractor, high-value projects** where centralized control is critical.
- **CCIP might be sufficient for simpler projects** with fewer subcontractors.

Conclusion

Neither program is a one-size-fits-all solution. **The "better" choice hinges on project specifics, stakeholder expertise, and who has the greater capacity and incentive to manage the risks effectively.** Owners and contractors often negotiate these terms upfront, and the decision should align with the project's goals, scale, and risk profile.

While the answer, "it depends," is a rather unsatisfying conclusion to this question of CCIP vs OCIP, the reality is that if there was one clear, undisputed "winner," there would be no need or market for both. **Instead, it truly depends on the scale of the project(s) and the sophistication, expertise, and past work of the owner and the general contractor to determine whether a CCIP or an OCIP is a better fit for a given project.**