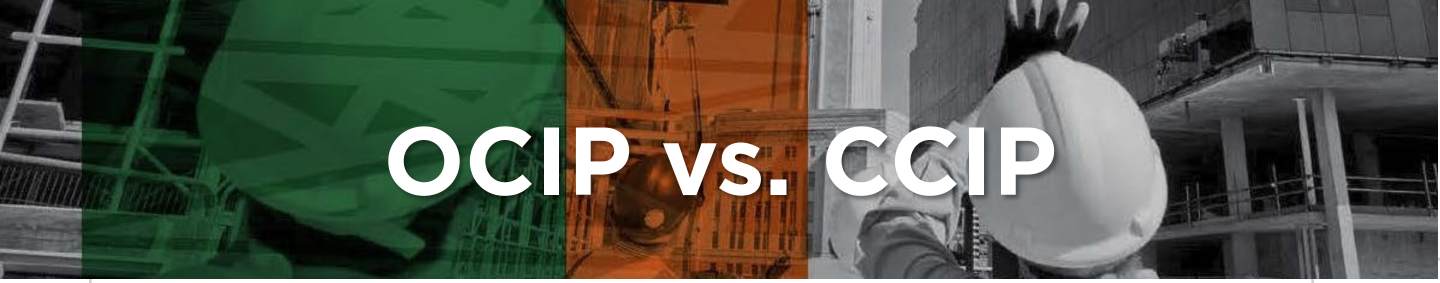


OCIP vs. CCIP

A wrap-up is a **Risk Management** and **Financial** product that provides greater control over construction exposures. Under a wrap-up, the Sponsor, in this case the Owner, provides **insurance coverage**, **loss control**, & **claims management** on behalf of themselves, Construction Manager, General Contractor, and all subcontractors of every tier. In turn, each contractor is required to remove the cost of insurance from their contract or bid. The result is a more efficient, cost-effective risk management program covering your projects.

From a Risk Management standpoint, the benefits include, but are not limited to:

Safety Control; wrap-up insurers will provide special safety reps to observe the project and offer safety guidelines to follow creating a safer than usual project. Also, all the claims will come to one insurance company and to the sponsor of the wrap-up. Thus, the sponsor will always know about incidents and they will have greater influence when settling these claims.

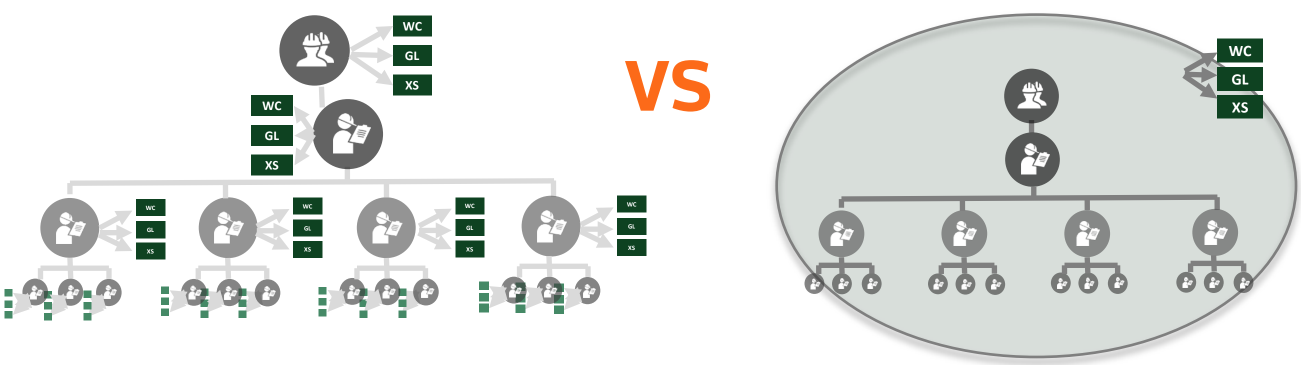
Asset Protection; as most wrap-up programs have very high limits, $100-$200 million. If a major disaster happens at a project not covered by a wrap-up, the responsible contractor will most likely not have adequate limits to cover the damage. Thus, the Owner or General Contractor will be on the line for the difference. However, if the project is covered by a wrap-up, the limits should be sufficient to cover any incident. An added protection is the Completed Operations Tail coverage (up to 10 years) provided by these programs.

Avoid Cross Litigation; when an incident occurs on a construction project, finding the responsible party can be troublesome. Often, one contractor's insurer will sue another contractor for an incident. Sometimes, many contractors may be brought into the same suit. When a wrap-up is in place, there is only one responsible insurance company, thus cross litigation is greatly reduced, if not totally eliminated.

Promote DBE/MBE/WBE/SBE involvement; because insurance is removed from the bidding process, a wrap-up expands the population of eligible bidders, as it removes insurance from the contractor qualification process.

The following is an illustration of the benefits of a Wrap-Up:

TRADITIONAL	VS	WRAP-UP
Multiple Insurers		One Insurer
Inadequate Limits		Adequate Limits
Gaps in Coverage		Consistent Coverage
Uninsured Contractors		Control
Cross Litigation		No Cross Litigation
Inefficiency		Efficiency
Duplication of Costs		Consistent Services
Stacking of Markups		Decreased Markups

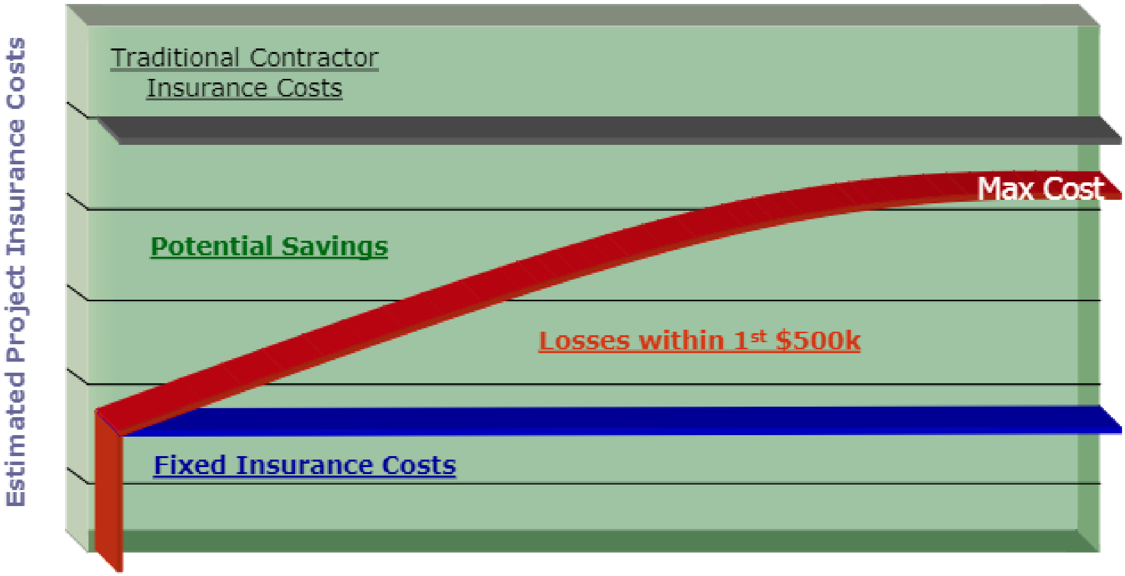


For a "Fun & Informative" 10 minute discussion of wrap-ups, please check out the "Wrap-Up 101 Video".
http://www.youtube.com/watch?v=hPoVdGdhNL8

OCIP vs. CCIP

Regarding the difference between an Owner Controlled Insurance Program (OCIP) and a Contractor Controlled Insurance Program (CCIP), the following are some of the key advantages that an OCIP provides in comparison to a CCIP, which will most likely be proposed by your prospective bidders:

1. *Insurance Cost Savings*
   The cost that the CM/GC will offer to provide their CCIP will be a fixed amount, adjustable on exposures. Under an OCIP, the cost would be comprised of both fixed costs and a variable cost component, also adjustable on exposures. The variable costs would be determined based upon the amount of General Liability and Workers' Compensation claims on the project, meaning controlled losses create potential savings (profit center).



2. *Owner as Named Insured (OCIP) vs. Additional Insured (CCIP)*
   The Owner would definitely have Named Insured status under the OCIP and most likely Additional Insured status under the CCIP. There are potential lawsuits against the owner, as project owner, that would be covered under an OCIP, which might not be covered under a CCIP. Coverage for the Owner under a CCIP would depend on the "Additional Insured" wording in the CCIP policies, which is usually restricted to losses resulting from the operations of the Named Insured (CM/GC).

3. *Dedicated Limits of Liability*

   The OCIP would provide liability limits that are dedicated to the project only. That means that the full limits are available to respond to a severe accident or loss (or a series of accidents) that arises from the construction site. Normally, with the types of "Rolling CCIPs" that CM/GCs provide, limits can be shared amongst multiple projects that are enrolled in their program. Therefore, their limits can be depleted or exhausted by losses on other projects. This could leave the Owner uninsured for a large, catastrophic loss.

4. *Cancellation of the CCIP*

   There are a number of situations that can arise during a multi-year construction project, which could lead to the cancellation of the CM/GC's CCIP:

   - The CM/GC could become insolvent.
   - Their program could be cancelled due to non-payment of insurance premiums.
   - Cancellation could result from safety issues on other projects.
   - The CM/GC could get into a contract dispute with the Owner, fall out of favor, and be replaced with another CM/GC during construction.

   If the CCIP is cancelled, the job could be shut down while alternative insurance coverage is arranged. Any of these situations could be very time-consuming and expensive. Under an OCIP, the Owner controls the insurance program which leads to more stability