Frequently Asked Questions

UCIP
University Controlled Insurance Program

Office of Risk Services
Budget & Capital Resources
University of California Office of the President
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These FAQs have been prepared to answer questions you may have about the UCIP. If you have further UCIP-related questions, contact the AonUCIP Administrator.

1. **What is a UCIP?**
   
   UCIP is the University Controlled Insurance Program. Like an OCIP (Owner Controlled Insurance Program), the UCIP will provide coverage for workers’ compensation and employer’s liability, commercial general liability, and excess liability. This is insurance that eligible and enrolled contractors and subcontractors would otherwise purchase for the project and include the cost in their contract price.

   **Who is covered?**
   - The Regents of the University of California
   - Enrolled General Contractors
   - Enrolled Prime and Sub-Contractors
   
   Note: All eligible General Contractors, Prime and Sub-contractors must participate and enroll in the UCIP.

   **What insurance is being provided by the UCIP? What are the limits?**
   - Workers’ Compensation – Statutory (General Contractors and Sub-Contractors)
   - General Liability - $2 million per occurrence/$4 million aggregate
   - Excess Liability - $100 million

2. **What are the advantages to a UCIP?**

   While the main advantage of the UCIP is cost savings, there are several other important advantages. Due to the University’s bulk purchasing and leverage in the insurance market, UC can obtain a workers’ compensation rate that is less expensive than what individual contractors and subcontractors could obtain on their own. Other advantages are higher excess coverage limits of $100 million, consistent and broader coverage, limits dedicated to each project, enhanced and coordinated safety leading to a safer UC worksite.

3. **How does the project save money with the UCIP?**

   UC saves money in a number of ways:
   - UC’s financial credit rating is leveraged to reduce the cost up front by 15%.
   - Enhanced safety provided by the UCIP enables a safer worksite and improved loss experience which results in return savings to the project at close-out.
   - Projects are bid net of insurance. This means contractors must not include their cost of insurance which generally will include overhead and mark-up.
4. **What projects are required to use the UCIP?**

   The UCIP is required on projects where the estimated construction value budget is expected to exceed $25 million (total construction cost, e.g. Sub 0 + Sub 1 + Sub 4 in the CIB). You also have the option to use UCIP for projects with a construction value less than $25 million.

5. **What work is covered by the UCIP?**

   All work on the project performed at the project site will be covered. Offsite work for the project will be covered if (i) the location where the work will be performed is within the US (except ineligible States) and is identified and scheduled with the Insurance Carrier at enrollment and (ii) the subcontractor who will perform the offsite work will also perform labor at the project site.

6. **Are the limits shared with other UC projects and/or campuses?**

   No, the limits are dedicated to each project. This differs from contractor-provided insurance, in which the project may be sharing limits with the all the contractor’s other projects.

7. **How do we budget for the UCIP cost?**

   The UCIP cost (includes premium and UCIP Administrator’s fee) is a total of $15.63 per $1,000 of construction value. This amount should be included in Sub 1, Building Construction in the Capital Improvement Budget (CIB). At the initiation of the project budget, the campus should contact the UCIP Administrator, Aon. An application should be submitted to Aon and they will provide an estimated cost for budgeting purposes.

8. **When does UCIP actually become activated on a project?**

   The project must notify Aon of the actual Notice to Proceed date at which time the UCIP can become active. This may vary depending upon circumstances, but UCIP should be activated prior to the contractors coming on the project site.
9. **When does the UCIP end for each project? When do we notify Aon of project completion?**

UCIP will end on the date on which University makes final payment to the Contractor, as defined within the Contract documents. The UCIP Administrator can assist you when there are uncertainties or circumstances affecting when to end the UCIP.

Notify Aon at least 60 days prior to project completion to allow time for proper notification to contractors and, in particular, notification that if the contractor does come back on site that their own insurance will be at risk. It is critical that the UCIP is not ended prior to contractors being notified.

10. **What if a contractor returns to the project site to perform warranty work after project close-out and after the UCIP has been terminated?**

Language is being incorporated into the UC contract clearly stating that any contractor returning to perform warranty work must be covered under their own insurance.

11. **Does the UCIP change the indemnification provisions in the UC contract?**

No, the contractual indemnification and responsibilities remain unchanged.

12. **What about other insurance requirements under the UC contract?**

The contractor must still comply with the other insurance provisions under the UC contract. This will include Automobile Liability and evidence of Workers’ Compensation and General Liability for off-site activities. Depending on the project, there may be requirements for other types, such as Contractor’s Pollution or Professional Liability/Errors and Omissions insurance.

13. **Will the UCIP negatively impact my pool of bidders and enable contractors with poor safety records to submit lower bids?**

Contractors and subcontractors with poor safety records will be able to deduct a higher cost of insurance from their bids, but a good safety record is still an important qualification for a contractor or subcontractor. A minimum Experience Modification Rate has been established. In addition, each project may establish a lower maximum Experience Modification Rate as a prequalification for bidding.

Lower bids are not driven by the contractor’s insurance costs; there are numerous other factors that affect bid pricing, such as higher performing contractors may have more
specialized construction practices and processes, more efficiencies in work production, better sourcing and procurement, and be more experienced in general enabling them to bid a job at a lower cost.

We do not expect the UCIP to be a deterrent to bidding on UC projects. This concept has been in use in construction for the past 40 years, and in the last 10 years has received increasingly widespread understanding and acceptance. Contractors have come to realize the benefits of this concept, and many have established their own programs known as Contractor Controlled Insurance Program, in which the contractor purchases the insurance for the entire project and receives the benefit of the savings.

14. How do we know that the UCIP premium is lower than the traditional method of contractor-provided insurance?

Aon will administer the collection of the contractor’s insurance policy rating and declaration pages which will verify the insurance credits. With this information, the University’s actuary, Bickmore Risk Services, will validate the lower cost. They will take into consideration not only the rate, but the coverage and limits that the contractor would have provided.

15. After a contract is awarded, what if the contractor feels there is a need for additional insurance that is not included in the UCIP and wants UC to pay for it?

Prior to bidding, bidders are provided with UCIP coverage information and, so they are bidding with full knowledge of what coverage is being will be provided by the UCIP. Any questions concerning additional coverage should be addressed during the pre-bid phase. But if this should occur after award, contact the Aon UCIP team immediately. Contractors should not be allowed to issue chargeback for additional insurance after award of contract.

16. Who will provide guidance and instruct contractors on payroll collection, claims reporting, and safety and loss control guidelines specific to the UCIP?

Aon will attend pre-bid and pre-construction meetings as needed, as well as provide contractor enrollment and orientation sessions. They will provide the information necessary to successfully implement the UCIP on the project and can answer any UCIP-related questions. Aon will be the contact for any administration issues that may arise during the course of the project. If you should receive any inquiries, you can direct them to Aon.

17. During the course of the project, how will I know how the UCIP is performing?

Aon will prepare a Quarterly Report on each project with detailed information, including construction value, payroll, premiums, claims, etc. This will provide you with an
overview of the performance.

18. Why are Loss Control and Safety critical to achieving cost savings at close-out?
Loss control and safety play a key role in reducing claims. The better the loss experience, the fewer dollars expended in claims, which means more dollars saved. Since this is money going back to the project, UC has a vested interest in safety and loss control because this is ultimately what will create greater potential for a savings returned at project close-out.

19. The UC contract places the responsibility for safety on the contractor. Does UCIP change this?
No, this obligation does not change; the contractor is still responsible for safety. But as a risk management best practice, as the project owner, it would be beneficial for UC to be involved in loss control and safety. While it is the contractor’s responsibility to enforce safety with the sub-contractors, the project owner still has an obligation to maintain a safe worksite. One of the benefits of the UCIP is enhanced loss control and safety which can provide opportunities for UC to play a greater role.

20. Why would contractors and sub-contractors have any incentive for safety if it does not impact their own insurance program?
Their loss experience still follows them because losses and man hours are still reported to the State; this does not change under UCIP. Their incentive would be to maintain their Experience Modification Rate which is still affected even if they are not using their own insurance.

21. How is the amount of return savings at project close-out verified?
Aon will conduct the close-out process and audit of program financials (construction value, payroll, premiums, claims, reserves on open claims, loss development, etc.), and prepare the final close-out calculation. The University’s actuary, Bickmore Risk Services, will affirm this calculation as part of the final review process. Aon will review the close-out details with the UC project manager for approval prior to issuance of a check for any additional savings achieved.

22. How is the UCIP different than an OCIP? Or a CCIP?
The UCIP is a program designed specifically for UC. The concept is the same as an OCIP (Owner Controlled Insurance Program), but has the following added benefits:

- 15% reduction in premium at inception of the project
- Close-out at 6 months after project completion
- Potential for greater return savings based on favorable loss experience
The CCIP (Contractor Controlled Insurance Program) is the same as an OCIP, but instead of the owner purchasing the insurance for the entire project, the contractor purchases it. Instead of the owner receiving the benefit of the savings, the contractor receives the savings.

23. Isn’t this duplicate coverage because since the contractor has to purchase this insurance for their book of business anyway, and so ends up paying premium on the project regardless of whether it’s in the UCIP or not?

No, this is not duplicate coverage and the contractor will not be paying premium under their own business operations policy. Under that policy, the contractor is subject to a payroll audit. The contractor would report payroll for its projects, but would exclude payroll for any UCIP projects. Therefore, the contractor will not incur any premium under their own business operations policy for any UCIP project.

24. What are the UCIP Administrator’s (Aon) responsibilities?

a. The UCIP Administrator, Aon, will provide a designated team to perform the duties of the UCIP Administrator, including a Safety Manager and Claims Advocate.

b. The UCIP Administrator will identify a designated occupational health clinic and ER in the close proximity of each project prior to the start of the project, and work with the clinic to understand the billing structure for UCIP. The UCIP Administrator will monitor the clinic’s performance.

c. The UCIP Administrator will attend pre-bid and pre-construction meetings as necessary when notified by the UC Project Team.

d. The UCIP Administrator will handle enrollment of all contractors of all tiers upon notification by UC Project Manager, General Contractor or Prime Subcontractor, both immediately after notification of the initial award and as new subcontractors come on the job at a later date.

e. The UCIP Administrator will answer coverage questions and UCIP questions for all contractors.

f. The UCIP Administrator will enter all contractor and subcontractor data, including insurance rates, certificates of insurance, and payrolls. All data will be entered into AonWrap and various reports can be provided to the UC Project Team.

g. The UCIP Administrator will collect and monitor for completeness and accuracy all required payroll reports, certificates of insurance and will track expiration dates.
h. The UCIP Administrator will assist in coordinating the payroll audits and will compare against AonWrap numbers.

i. The UCIP Claims Advocate will monitor claims and coordinate claims reviews with the contractors, UC Project Team and insurer.

j. The UCIP Administrator will monitor timely and accurate reporting of all claims.

k. The UCIP Administrator will collect and manage all UCIP-related documents required from contractors and subcontractors, including those required for the carrier insurance audit and project close-out.

25. **What are the Project Manager’s responsibilities in connection with the UCIP?**

a. Complete the UCIP Application notifying the UCIP Administrator of a new project.

b. Review the UCIP cost estimate provided for project budget.

c. Process invoice(s) for payment of premiums direct to UCIP Administrator

d. Notify Aon of contract award with the General Contractor or Prime Contractors on Multiple Prime Contracts.

e. Provide copies of executed contracts with the General Contractor, Construction Manager and/or Prime Contractors.

f. Review the Quarterly Claim Review Report provided by Aon to UC Project Team and Risk Services, and participate in teleconference review, if desired.

g. Participate in Safety Site Reviews, if desired.

h. Review the Quarterly Administration Report provided by Aon to the UC Project Team and Risk Services providing UCIP details, such as the construction costs, claims, payroll, etc. to date, if desired.

i. Provide Aon with updates regarding potential schedule changes (extensions) and project completion date and final construction value.

j. Review the final close-out to enable return savings to the project.

k. Follow-up with non-compliant contractors who fail to provide information to UCIP Administrator or with General Contractor on recurring loss control
recommendations. This would only be on an as-needed basis and only after all other efforts have been exhausted by Aon.

I. Receive and deposit check for return savings if eligible for Project Safety return premium at close-out.