Appendix B

Appendix B
Primary Research

Interview Questions

MUNI Meeting, September 10, 2002

PUC Meeting, September 11, 2002

City Attorney's Office Meeting, September 11, 2002

Airport Meeting, September 16, 2002

California's Office of Risk and Insurance Management, September 25, 2002

BART Meeting, October 8, 2002

Port of Oakland Meeting, October 9, 2002

OCIP Interview Questions

A. Feasibility Study

1 Was there a feasibility study? Y/N

2 Was there a minimum threshold for projects?

3 ***Analysis for program savings under OCIP vs. conventional program?***

4 Did OCIP lend itself to broader coverage? Higher insurance limits? Eliminate duplication in gaps?

5 ***Any additional costs? Including administrative.***

6 Were different OCIPs evaluated? Loss-sensitive vs. guaranteed loss plans?

7 More inclusion of M/W/LBEs?

8 Less claims disputes and litigation?

9 ***Any statutory or regulatory impediments identified? How was it addressed? i.e., City Attorney approves settlement per City Charter vs. OCIP carrier***

B. Bidding Process

1 Who is the OCIP administrator?

2 How is the OCIP administrator (owner, broker, carrier) chosen?

3 ***What services does the RFP cover? What responsibilities fall on the dept OCIP administrator?***

4 Was a draft contract included?

5 ***If RFP was issued, how many proposals? Get copy of RFP and winning bid.***

6 RFP should include experience of the OCIP administrator, availability of safety and loss control services, available claim management services, computerized risk management information systems, and fees associated with all required components.

7 Advisable that the broker negotiate insurance terms with the carrier.

C. Contract

1 ***Who is the OCIP administrator/broker's contract with? Is there a separate contract with the carrier?***

2 Does the contract include mapping the owner's and G/C's procurement, accounting (inc. payroll info), safety, and information management?

3 Risk Management processes and procedures include claims administration (taking claims, investigating claims, paying claims)

OCIP Interview Questions

4 Risk Management: reporting, monitoring, overall management of loss control

5 ***Track which components fall within dept? OCIP administrator? Carrier?***

6 When does the contract expire?

7 Any statutory or regulatory impediments identified? How was it addressed? i.e., City Attorney approves settlement per City Charter vs. OCIP carrier. Who issues the checks?

8 ***Get copy of final contract for broker and carrier, if applicable.***

D. Program Administration/Implementation

1 ***Are all projects bid out under OCIP or do they have to meet a minimum threshold? Can unrelated projects be grouped together? Get lists of existing projects, pending projects, projects in negotiations.***

2 What does the department OCIP administrator first do? Internal communication with contract and project management staff?

3 ***Project Bids - how are applicants informed of the OCIP program, through pre-bid meetings and documents? Do the bid documents include (a) easy to read bid deduct form, (b) OCIP administration manual [implementation procedures, insurance coverages and limits, safety programs, claims reporting, record keeping, and other OCIP requirements]?***

4 Bids should include deducts for all OCIP-provided coverages, including changeorders. Verify that bids include insurance costs, even those covered under OCIP.

5 Once contract is awarded, does it include mapping the owner's and GC's procurement, accounting (inc. payroll info), safety, and risk management processes and procedures?

6 ***Functions of the department? Broker? Carrier?***

7 Provide contractor and subcontractor orientation notices and meetings? Enroll all contractors and subcontractors under OCIP? Obtain contractors and subcontractors evidence of insurance purchased that is not provided under OCIP.

8 ***Prepare cost reports that show costs of OCIP and contractor and subcontractor bid deductions.***

9 ***Claims Administration: taking claims, investigating claims, paying claims. Deductibles? Writing checks? Cap on losses?***

10 Who are we actually paying? Do direct payments to insurance carrier vs. broker bypass equal benefits requirements?

OCIP Interview Questions

11 ***Who's responsible for the safety program? Department? Broker? G/C? Safety orientation and indocrination procedures, written safety manual, safety training, monitoring, periodic toolbox talks, independent scheduled and unscheduled safety audits, full-time safety representative and staffing? Pre-employment checks, random drug and alcohol screening, post-accident drug and alcohol screening.***

12 ***General monitoring: provide periodic cost reports to owner, ensure statuory workers comp reports are filed with rating bureaus, ensure contractor and OCIP insurers accurately complete payroll audits.***

13 ***Audits: suggest annual audit to ensure quality of OCIP administration, coverage of all contractors and subcontractors, potential for OCIP savings, inclusion of M/WBEs, W/C and GL claims reporting, safety and loss control are being achieved. Post-program audit - final findings***

14 M/WBE goals? Meeting goals?

15 retrospective premium - interest bearing accounts?

16 Cal Trans Surcharge?

17 greater than expected W/C loss ratio? Financial discentives to G/C?

18 greater than expected admin costs?

Meeting with Luz Cofresi-Howe, MUNI
Third Street Light Rail Project
September 10, 2002

Project: Third Street Light Rail

- 19 station stops and the Metro East maintenance facility.
- $567 million in total costs. Primary funding from SFCTA Proposition B sales tax.
- $290 million is covered under OCIP.
- Construction completed in 2005
- The project is federalized because it's the local match for the extension to Chinatown.

Justification for OCIP

- Muni got involved with OCIP because the Metro Turnback Project OCIP program (construction began in 1993) was considered a success. It is not clear how success was defined in that case.
- Also, the SFCTA project management staff strongly encouraged the use of OCIP.

RFP for Broker Services

- Luz worked with Keith Grand the City's former Risk Manager. When Keith left the City, Luz turned to Marge Lane at the Airport for assistance in developing the RFP.
- Three proposals were submitted in response to the RFP.
- After an extensive protest process (the City's Risk Manager Errol Fitzpatrick participated on the panel) Merriwether & Williams was selected as the lead and Marsh as the sub.
- The contract with Merriwether totals $706,000.
- The insurance carrier is paid through Merriwether.
- Merriwether cannot receive a commission from the insurance company; however, there is no way to verify if this is indeed the case.

Insurance

- Went to market after September 11th. The mark-up on different policies ranged from 30% to 200%.
- An accelerated market survey was done because by January of 2002 the rates would go up again.
- $250,000 is the deductible per incident. This is the best the City could do given the condition of the insurance market after September 11th.
- The aggregate deductible totals $4.6 million. This is the total exposure the City faces; anything greater would be the responsibility of the insurer. The aggregate deductible is held in trust. The expectation is that the City will earn $800,000 over the life of the contract given moderate claims (i.e.—50% loss ratio).
- The City's interest and the insurance companies' interests are aligned to keep claims low.
- AIG cuts the claims checks.
- There are three approved clinics for injured workers to visit.

Contractors

- Usually insurance is a % of overhead—something like 4% to 6% of total construction costs. Now contractors must submit rate sheets to specify insurance costs. The rate sheets are not always accurate. Also, you can't tie the bid to the rate sheet.
- Merriwether will use Segment B as an example of whether contractors are deducting the insurance costs correctly.

Claims

- OCIPs put the City in the position of defending the contractor. This is problematic when the contractor wants to settle and the City doesn't.
- Mathew Rothschild is preparing claims protocols.
- PUC/Muni will split the costs of a claims software program.

Safety

- Purchased a safety consultant from AIG for $300,000 (.7 to .75 FTE). He sends pictures and monthly reports.
- For each segment of the contract, as part of the construction contract, there's a safety representative.
- The facility has a dedicated safety person. This is also part of the construction contract.

Administrative Costs: City Attorney

- It's clear that very high administrative costs can quickly erode the savings from OCIP.
- At the Airport the City Attorney's involvement was invisible to Luz even though they had a mini claims office stationed there.
- The Metro Turnback project settled its own claims.
- Originally, Luz had no idea that the City Attorney's Office needed to be involved.
- Shocking to know that the attorney fees must be included in administration.
- Currently Muni has a general work order and a construction work order with the City Attorney's Office. An OCIP work order will have to be set-up.

Other

- Would have been some benefit to have the City's worker's compensation expert advise the department, particularly since Luz did not have OCIP or insurance background.

Reports to be provided by Luz

- The management report that outlines the RFP process for the broker.
- The contractor's manual explaining OCIP and claims procedures.
- City Attorney's draft claims protocol
- An update to the pie chart breaking out insurance costs.
- Status reports provided by Merriwether.

Meeting with PUC: Kingsley Okereke, Marge Layne, Carlos Jacobo, and Frank McPartland
September 11, 2002

Projects
- $220 million in construction costs for fully approved and funded projects.
- Plan to include all other approved projects.

Justification for OCIP
- The idea to use OCIP came from the Water Alliance.
- Discussion at the PUC Commission pertained to OCIP vs CCIP; based on an analysis OCIP was chosen.

Broker Services
- Three proposals were submitted in response to the RFP.
- AON was selected as the prime and Merriwether as the sub.
- AON places the insurance net of commission.
- During the enrollment period the broker will track what it would have cost if the contractor had procured insurance independently. The broker will verify if the costs submitted by the contractor are reasonable based on their rating. The contractors have an incentive to make the insurance costs as low as possible.
- PUC is online with the broker to see losses and enrollment. The broker also provides a monthly hard copy of the information online.

Insurance
- Placed with AIG.
- Construction value is set at $220 million, however if more construction is included the insurance rates will fall.
- Deductible for Worker's Comp and General Liability is set at $250,000. Contractors also have a deductible ($10,000 to $25,000) to give them an incentive to keep a safe workplace.
- Aggregate stop loss of $1.5 million over 3 years. An actuary did an analysis to determine the $1.5 million. If there's a good loss experience the PUC will get the $1.5 million balance back.

Contractors
- Suppose to bid without insurance costs. If they try to keep those costs in then they'll probably lose the bid.
- Contractors also have a deductible ($10,000 to $25,000) to give them an incentive to keep a safe workplace.

Claims
- With no OCIP in place the City Attorney's Office would have to send out adjusters to get statements and process claims.
- With OCIP the City Attorney's Office maintains a managerial interest but can avoid the legwork.
- What are the incremental costs to the City Attorney's Office of administering OCIP?

Safety

- One safety person is on staff with the PUC; One safety representative from the broker; the insurance carrier provides one safety representative.
- Plan to add additional safety staff during the next budget year especially in preparation to the CIP implementation.
- There must be a balance between internal safety staff and the safety staff of contractors.
- All PUC project managers and engineers take a 16-hour safety course. The safety program will be available to contractors.
- Pre-placement and post accident drug testing is required of contractors.
- Full protection above 6 feet is also required.
- Contractors also have a deductible ($10,000 to $25,000) to give them an incentive to keep a safe workplace.

Administration

- The OCIP team must include the broker, insurance carrier, finance and budget staff in order to have the data to measure the cost effectiveness of the program.
- Open work order with the City Attorney's Office. The PUC wants a separate charge for OCIP and an OCIP budget.
- Set up index codes for OCIP related costs to capture, track and report all costs.
- The OCIP "hit team" meets weekly.
- PUC is in the process of putting together procedures. In next couple of months a manual will be issued.

Other

- City should have a rolling wrap-up administered by the City's Risk Manager and commit all departments but need to have a pilot program first. The PUC intends to be that pilot program.
- How can M/WBE participation be tracked?

Experience at the Airport

- The airport safety program was ambiguous. Drug testing was not allowed.
- Pac Bell had drug testing and rejected 70% of those who showed up at the construction site.
- Eddy Angeles and Chris Roach handled liability claims at the airport.
- Construction costs exceeded the $2.4 billion. Since 25%-27% of construction costs are payroll costs if the construction costs increase insurance costs will increase because insurance costs are based on payroll costs.
- Worker's Comp premium is based on reported payroll. All contractors on a monthly basis submitted payroll costs and that information was used to calculate the premium. At peak times there were 800 contractors at the airport.
- Maximum deductible for contractors was $10,000. Contracts below $100,000 in value had a zero deductible and contracts in value of above $5 million had a deductible of $10,000. Not much of an incentive for contractors to run safe programs.
- No procedures were in place and high turnover off staff at the finance department. Change orders could not be tracked. No statistics available.

OCIP Meeting with City Attorney's Office: Joanne Hoeper, Matthew Rothschild, and George Wong

September 11, 2002

Issues to be resolved

- Do OCIPs save money? How is this measured?
- What's the experience in the world with OCIPs? What's the City's experience?
- What are the intangible benefits? DBE?
- Is there potential for fraud? What if two contractors are suing each other? Collusive suit among contractors.
- What's being done about safety? Who's responsible for safety? Are we getting what we paid for when we pay for safety consultants?
- Should OCIPs be applied differently when a construction site is closed access like at the airport and all open access like at the 3rd Street project? At PUC construction is geographically dispersed—how is safety going to be implemented?
- How do loss ratios work?
- Why did the airport OCIP have a loss? Are the problems with the Airport's OCIP program going to be addressed in future implementation?
- Claims settlement is the responsibility of the CAO. Is this an illegal delegation of power?
- What if we need to sue the contractor? The deductible is our money. We are the insurer but haven't waived our rights to sue them.
- Does the OCIP adjudication of claims really save money?
- EBO concerns. The City doesn't have a direct relationship with AIG because they aren't EBO compliant.
- What happens if we cancel the OCIPs at PUC and MUNI? How deep are we into the agreements?
- Change orders: if there is a change order the Cal Trans surcharge adds 15% for overhead.
- Who's going to monitor the make sure the contractors pay the deductible? The Brokers says they'll do it but they have no incentive to collect it.

Claims Settlement

- Based on the Charter what can and cannot be delegated? Who makes the final call when AIG and the CAO disagree on a settlement?
- A key distinction in business practice between the City and the insurance companies is that the City wants to discourage frivolous claims. Charter provision has real merit for taxpayers.
- Because of the Tort Claims Act being a City gives us key rights.

Key Outcomes

- The Working Group decides that OCIPs are a good thing and should continue.
- OCIPs are a bad thing, but too costly to pull-out, therefore fix administratively.
- OCIPs are a bad thing let's get in front of it.
- The Working Group should take a step back and decide if OCIPs are good or bad.

OCIP Meeting with Airport: Leo Fermin and Ralph Stewart
September 16, 2002

OCIP Management

- OCIPs provide a central resource for managing risk. The program manager manages the full program. The quality of that individual will dictate how successful the program is. The manager facilitates the underwriting process: works with insurance providers to detail appropriate types of coverages suitable for the construction project.
- Managers must insist that all deliverables be submitted in a timely manner and that those deliverables are responded to. If performance is not as expected that must be addressed immediately. Lock the broker into their obligations.
- Contracts should be structured so that risk is shared. Contractor must bear risk so that they are proactive in managing risk. The steps are: (1) Recognize risk, (2) Share risk (high deductible, incentive program, prequalifications), (3) Don't reward risk.
- Possible problem with OCIP is the possibility of contractors transferring pre-injuries—ie transferring non-OCIP worker to an OCIP project and then making worker's compensation claim.
- Need tight contractual provisions to provide disincentives to contractors—such as high deductibles. Airport had a low deductible ($10,000) with a huge policy limit.
- The safety program should document the contractor's safety program.

Claims

- Close them out as soon as possible.
- At the airport the carrier takes care of the worker's compensation claims but the City has some say in administration—the CAO is involved in a limited extent.
- For General Liability and Builder's Risk the CAO investigates and the claim adjusters are from the broker, carrier and contractor.
- Need a strong manager to get all parties to settle the claim.

Audit

- Evaluated total cost of the program.
- Not the first OCIP. Also audited BART extension program and the PG&E pipeline expansion project.
- Auditors now have functional responsibility for the program—closing it out.
- The Airport did not use the contract instrument to the City's benefit. Language was not included to provide disincentives to contractors. The contracts were written using boilerplate language.

History of the OCIP at the Airport

- 1992-93 first started considering OCIP because the Master Plan would involve lots of contractors in a small space.

- Thought to facilitate M/WBE participation. No data available to know if this was successful. There is some risk if the program has a high loss ratio this record will follow the M/WBE. Puts them at the mercy of the owner's safety program. Some M/WBE believed that if there was an accident the history didn't follow them because the policy is in the name of the owner. Important that M/WBE know that the experience will follow them.
- OCIP went hand in hand with Bond Surety program. Bond Surety is a significant benefit to small business.

Other

- Prime release of the retention. When writing the contract this issue needs to be brought forward. Contractors holding the retention from the subcontractors offsets the benefit of surety bonding.
- Pre-qualification. Pre-qualify contractors to bid on jobs. Policy decision to be made. The airport did not do this.
- CCIP work if you have 1 or 2 master builders that are responsible for themselves and the contractors. Owner participates with restricted limits
- To chose OCIP vs CCIP depends on how the program is structured

OCIP Meeting with the State of California's Office of Risk and Insurance Management (ORIM): Gary Estrada, Dave Thomson and Charl Sanchez

September 25, 2002

The Justification for OCIP

- Savings of about 1 percent of construction value
- Better coverage
- Less cross litigation
- Greater M/WBE participation (the State does not collect data to verify this)

The Projects under OCIP

The State currently has five pilot programs for Owner Controlled Insurance Programs (OCIP):

1. Capitol Area East End Complex—Five office buildings plus underground parking
2. Delano Corrections Facility—5,000 bed maximum security prison
3. Butterfield Way Office Building—Offices and warehouse
4. Coalinga Secure Treatment Facility—Maximum security 1,500 bed hospital, administration building, warehouse and more
5. Caltrans Replacement Office Building—Building with warehouse and auto shop

OCIP Coverages: Guaranteed Cost and Loss Sensitive

- General Liability, Excess Liability and Worker's Compensation for all five projects. Pollution Liability was purchased for the last two projects.
- Builder's Risk is not integral to OCIP because OCIP is traditionally centered on covering injured workers or the injured public. However, the owner should have a Builder's Risk policy. It's 5 to 15 percent cheaper depending on the size of the construction project for the owner to purchase the coverage rather than paying the contractor to buy it.
- The first three projects covered under OCIP were on a guaranteed cost basis. The composite rate was locked-in at $5.19 per every $100 of payroll. The cost today is $10-$12 per $100 of payroll. For a contractor, the worker's compensation rate is about $12-$14 per $100 of payroll.
- The last two projects are on a loss sensitive basis. For those projects it is important to hold the carriers feet to the fire on claims because they are paying out the owner's money.

Brokers and Carriers

- The State's brokers are AON and Near North Insurance. Marsh and Willis were too expensive.
- The State's carriers are AIG and Zurich.

Role of the OCIP Administrator

- Their responsibility is to make sure that every general contractor and every qualified sub contractor are enrolled in the OCIP program and that all necessary paperwork is filed. The OCIP administrator receives monthly payroll reports from the contractor. In addition, the OCIP administrator logs, monitors and provides oversight on claims. The State's OCIP administrator caught a few fraudulent claims.

Challenges

- Overcoming objections of construction managers.
- Transportation departments tend to operate independently and are therefore reluctant to adopt OCIP. Caltrans is opposed to OCIP but will try CCIP.
- Determining where the savings will flow.
- Contractors will bid low and recoup their costs with change orders.

Experience Modifier

- Experience modifier is not used in the state bidding process. The insurance broker recommended against it because of protests. However, possible recommendations for including the experience modifier include: (1) excluding contractors from bidding who have an experience modifier greater than some factor or (2) give contractors a credit for experience modifiers below a certain value and graduate the credit.
- The contractor's experience on an OCIP project is included in their experience modifier. Their safety performance follows them.

Savings

- OCIP savings are estimates at best. It's not possible to know exactly how much is saved.

Bids

- Bid without insurance and require awardees to submit supporting documents.

Safety Incentive Program and Disincentive Program

- The state funded employee rewards such as televisions, barbeques, t-shirts and belt buckles to promote safety. The carrier matched the state's dollars for these incentives.
- The disincentive program is a contractor deductible on the liability side that ranges from $2,500 to $5,000.

Drug Testing

- Drug testing is limited to post loss testing.

Rolling Wrap-Up

- Ron Rakich and Associates, management consultants hired by ORIM to review the State's OCIP program, recommends that projects over $125 million be included in a rolling wrap-up program. The brokers and underwriters should be consulted as to how the program should be structured. The program may be broken up by region and type of construction.

OCIP Meeting with BART:
Scott Schroeder, Controller-Treasurer and Jim Bridgeman, Manager

October 8, 2002

History

- BART has had multiple projects under OCIP. First during the 1960s when BART was first built. Second, in the 1990s when BART had three extensions (Pittsburg, Dublin, Colma); costs approximately $600 million. Third, the current Capital Improvement Program that includes seismic retrofit ($1.2 billion); Oakland Airport ($200 million); and Warm Springs extension ($200 million).

Insurance Program Design

- General Liability - $500,000 deductible. W/C is loss sensitive, covering statutory limits; carrier was Argonaut then Reliance (aggregate deductible) and now St. Paul (flat $1 million deductible). B/R is contract expenditures (?); carrier is AIG. E/L is also contract expenditures (?); carrier is Lloyds. Guaranteed costs was not available in the 90s. Port of Oakland was lucky with its timing.
- OCIP is estimated to save BART 2-3% of construction costs. OCIP gives BART higher limits. OCIP covered projects that included seismic retrofit, unique construction operations, underground extensions, complicated electronic equipment, drill piles within the tubes, and projects that are difficult to place coverage. Not all projects are being included in the OCIP. It gave BART an element of control over heavily populated areas. They spent $500,000 for community relations.
- CCIP is more difficult to handle as a self-insured.

Administration

- BART did not have a feasibility study for any of its OCIPs. BART used an RFP to select the broker and to select the carrier, they did not use an RFP, just required a decision by the Board. There was only 1 bidder for the RFP. The brokerage fees are approximately $1 million per year which represents about 15% of total OCIP costs. The broker has six –seven people working on BART's OCIP. They expect loss ratios to be $27 million for the airport expansion project. The industry standards of 60% loss ratios just didn't apply after 1996 when CA changed to competitive rating. OCIP bids from contractors are without insurance. Very difficult to do with and without bid. They use EMF as pre-qualification. Their understanding of EMF is that it does follow the contractor even after dissolution of a joint-venture. Tutor was in a joint-venture for one of BART's design build projects. Only 40% of the employees were Tutor employees. Typically there's multiple contractors, but it's up to Tutor to work with their subs. Not unusual to have 100 project managers and 100 contracts, therefore a lot of finger-pointing if it's not under an OCIP.
- They have an on-site safety program. There is a safety incentive program and the goal is to reduce injuries. They have performance bonuses and liquidated damages. On the extension they have 2.5 persons working. BART receives reports from their brokers at weekly meetings, periodic e-mails on W/C accidents and monthly reports.

- BART administration is very hands-on with their OCIP. They have 3 people working in risk management. They administer the contracts, provide guidance on claims which must be approved by the Board. They are completing an audit of the airport extension project. They are now closing out the OCIP for the Colma extension where construction was completed in 1995. Sometimes it may be four years after completion of the project that they may get the last claim.
- Claims Management is handled by the third party administrator. They have an outside panel counsel and an in-house litigation team that will decide whether to defend or not. They do not buy releases (?), or settle easily and will go trial if necessary. The worst W/C claim was approximately $300,000 - $400,000. Regarding fraud prevention, they rely on their carrier Reliance or St. Paul to be watchful and it's all part of their claims management program.

OCIP Meeting with the Port of Oakland: Jane Keegan, Bob Metzger and Audree Thomas
October 9, 2002

Background information

- Jane Keegan is the Port's Risk Manager in addition to being the Port's OCIP Manager. Before joining the Port she was an insurance broker.
- The Port's OCIP program began in 1999 as a five-year program but was extended for two additional years for a total of 7 years.
- The Worker's Compensation carrier is TIG. In addition TIG is responsible for the first $1 million of General Liability insurance. The first and second layer of Builder's Risk is covered by AIG and Zurich respectively. Pollution coverage is with AIG.
- The broker is AON. The contract with the broker is for five years for a total cost of $2.5 million.
- The broker provides three onsite staff (1 full time and 2 part time) to track all insurance certificates and handout project manuals. The safety staff is ramped up and down depending on how much construction is going on.
- Total construction for the next five years is between $1.6 and $1.8 billion.
- Any project under these values will be covered by the OCIP except for sound installation, pure maintenance, on call contracts and the purchase of cranes.
- Initially the Port's OCIP program received a lot of criticism from their engineers. According to Keegan the engineers are friends of the contractors but that criticism has subsided particularly in light of rising insurance costs.
- Long Beach is the only Port that does not use OCIPs because the engineers control the construction contracts.

Benefits of OCIP

- Under the traditional insurance method tracking down the contractor's insurance is an administrative headache. Also, monitoring their insurance is time consuming. In addition, there is no certainty that the insurance they had at the time of bidding will still be available when an incident occurs. If a contractor is up for renewal the company may not get the limits the Port requires.
- Savings are a benefit of OCIP but they are difficult to track. The greater good is the coverage that an OCIP program provides.
- OCIP is also a benefit to local small businesses located in Emeryville, San Leandro an Alameda.

Safety

- Contractors want to be individuals. It is difficult to get them to coordinate with each other when they are working side by side on a construction site. This leads to high claims. In addition, the lack of coordination and contractors implementing different safety programs result in morale problems.
- The Port started exercising control over safety programs. The safety manual is in the contract language. Safety coordinators are on site and have the authority to stop work until the problem is corrected. In addition, they provide training to contractors.

- The owner needs to have control of the safety program. This cannot be done administratively. The work must be done on site. Methods of control include stopping work or financial penalties for safety violations.
- The Port also assesses charges to contractors if they are found negligent. The charges ranges from $5,000 to $10,000. It took the first few years of the OCIP program to convince the engineers to assess the charges. Engineers were willing to overlook the charges in order to avoid angering the contractors and to complete the work on time.
- Safety staff use a diary to track the performance of prime and contractors. They provide updates to Keegan and the broker at weekly meetings.
- The safety information collected is used to make future decisions about contractors.

Experience Modifier and Joint Ventures

- If contractors form a joint venture and dissolve after the construction is complete the experience modifier is meaningless.
- Also, out of state contractors don't care about experience modifiers.
- A better way to control contractors is to stop the work if conditions are unsafe and assess penalties for not finishing on time.
- It is necessary to have provisions for penalizing contractors for safety violations. The project engineers will not want to assess the penalties to avoid angering contractors and to keep the project on schedule.

Bid Net of Insurance

- If an owner asks contractors to bid with and without insurance this sets up the opportunity for protest.
- It is better to bid net of insurance and require contractors to sign something that states they haven't lied and that the owner has the authority to audit.

Claims

- There is an on-site Worker's Compensation claims examiner.
- General Liability and Builder's Risk is managed through a claims coordinator.
- Keegan reviews claims quarterly and provided input on counsel and settlement but has less control in this area because there is no deductible.

Drug Testing

- In the beginning contractors were responsible for drug testing. Now the Port has a contract for drug testing.