CITY OF OAKLAND

AGENDA REPORT

TO: DEANNA J. SANTANA
CITY ADMINISTRATOR

FROM: Jim Reese

SUBJECT: Follow-up Report - Rolling Owner Controlled Insurance Program (OCIP) Staff Committee

DATE: March 18, 2013

City Administrator Approval _____ Date 3/28/13

COUNCIL DISTRICT: City-Wide

RECOMMENDATIONS

Staff recommends that the City Council accept this follow-up report evaluating Rolling Owner Controlled Insurance Programs (OCIPs), providing a Feasibility Analysis, researching Best Practices for an OCIP, and providing recommendations for implementation of an OCIP.

OUTCOME

The City Administrator convened a staff working group to review the feasibility of establishing a Rolling Owner Controlled Insurance Program (OCIP) for utilization in publicly-funded construction projects. The working group met four times since the last report. The working group continues to work toward the assigned tasks of:

1) evaluating OCIP programs from a Citywide perspective;
2) researching best practices for OCIPs; and
3) providing recommendations for implementation on (a) General Policy, (b) Feasibility Analysis Bid/Request For Proposal (RFP) and Contract Language, (c) Insurance Program Design, (d) Safety and Loss Control, (e) Administration, (f) Claims Management and Adjudication, and (g) Funding Sources.

The working group has completed the first of the three tasks, including completing a feasibility study for establishing a Citywide Rolling OCIP that incorporates the Oakland Army Base project with other, smaller Capital Improvement Projects for additional insurance marketing leverage ***(See Attachment A)***. The group is working towards completion of the final two tasks. Further, the working group is also reviewing the feasibility of implementing a Bonding Assistance Program (BAP). The City Administrator will report back to committee in June 2013 regarding the results of a Feasibility Study and provide an implementation plan for a Rolling OCIP and Bonding Assistance Program.

Item: _____
CED Committee
April 9, 2013

BACKGROUND/LEGISLATIVE HISTORY

On January 29, 2013, the Community and Economic Development Committee directed the City Administrator to establish a staff working group to review the feasibility of implementing a Rolling (Revolving) Owner Controlled Insurance Program. The CED Committee provided very specific steps by which the working group was to implement the directive. Since the January 29th CED Committee meeting, the staff working group has met four times to review the feasibility of establishing a Rolling OCIP. The Working Group consists of the following City of Oakland employees:

City Administrator's Office –	Scott Johnson, Assistant City Administrator
	Fred Blackwell, Assistant City Administrator
Office of the City Attorney –	Doryanna Moreno, Assistant City Attorney
	Celso Ortiz, Deputy City Attorney IV
Public Works Agency –	Vitaly Troyan, Director
	David Lau, Principal Civil Engineer
	Calvin Hao, CIP Coordinator
Contract Compliance –	Deborah Barnes, Contracts/Employment Svcs Mgr
Controller's Office –	Osbom Solitei, Controller
Department of Human Resources –	Jim Reese, Interim Director
	Deborah Grant, Risk Manager

Others participating in the working group include representatives from California State Association of Counfies-Excess Insurance Authority (CSAC-EIA)/Alliant Insurance Services as related to the City's eligibility to participate in the pool's Rolling OCIP and representatives from Merriwether & Williams Insurance Services as related to the feasibility of establishing a Bonding Assistance Program for small contractors. The Port of Oakland declined participation in this process.

As reported previously, the City of Oakland executed a Joint Powers Agreement (JPA) with California Public Entity Insurance Authority (CPEIA) in 2002 for participation in a variety of insurance programs. Signing authority was delegated to the City Manager (Administrator) on any Memorandum of Understanding with CPEIA for participation in the various programs (Resolufion 77439 C.M.S., dated October 1, 2002). In 2006, CPEIA merged with the Cahfomia State Association of Counties - Excess Insurance Authority (CSAC-EIA), and program membership and participation continued under this entity via an amended JPA.

In 2011, the Council re-affirmed its delegation of authority to the City Administrator to act on behalf of the City of Oakland on matters related to CSAC-EIA and authorized the delegation of the authority from the City Administrator to the Risk Manager (Resolution 83274 C.M.S., dated March 15, 2011).

Among the major insurance programs available through CSAC-EIA was a Miscellaneous OCIP, for which eligible participation required public works projects greater than $100 milllon in construction value.

Effective January 1, 2013, CSAC-EIA established Master Rolling Owner Controlled Insurance Program (Rolling OCIP). The Rolling OCIP replaces its Miscellaneous OCIP. The Rolling OCIP will provide benefits for very large projects, such as the OAB Development Project, however it also is structured to provide value for projects under $100 million. Based on our existing participation in CSAC-EIA, the City has the option to participate in the "rolling OCIP" program for construcfion projects as small as $1 million. We are continuing discussion with CSAC-EIA regarding projects below the $1 million entry point to allow even more City construction projects participation.

ANALYSIS

A study was completed by Alliant Insurance Services, assessing the feasibility of implementing a Rolling OCIP within the City of Oakland ***(see Attachment A)***. By combining the Oakland Army Base project with other anticipated Capital Improvement Projects (CIP), the City creates a construction value exposure that is well within the criteria that supports a successful Rolling OCIP. It is anticipated a Rolling OCIP could reduce total construction values between 0.5% to 1.03%. For the Oakland Army Base project, this is an expected savings of approximately $1.8 million.

The benefits of a Rolling OCIP are significant, including:

- Maximizes buying power of City through bulk purchasing leverage and participation in a state-wide OCIP sponsored by CSAC-EIA
- Provides broader coverage and higher dedicated limits, that are not diluted or overburdened by competing projects
- Protects City for its "active negligence" which is not covered under contractor provided insurance pursuant to Section 11580.04 of the California Insurance Code
- Helps to expand pool of qualified subcontractors to include small, locally owned contractors since insurance is provided
- Helps small, local firms to established favorable experience modificafion factor for future projects
- Promotes greater safety awareness and protects City from fines under Cal/OSHA multi-employer worksite regulafions (T8 CCR Secfion 336.10)
- Reduces contract related litigation and claim costs
- Reduces Insurance Premiums saving 0.5 – 1.03% of Construction Hard Costs
- Eliminates Contractor Mark-Up for insurance premiums
- Mandates Safety Training and provides onsite compliance monitoring

- Centralizes Safety, Claims, Policy Issuance, Insurance Compliance, Payroll audits, etc.
- Assists in opening up bidding opportunities for smaller disadvantaged business enterprises

The OCIP serves to promote small, local business enterprises, positioning them for growth and participation in future, larger projects. Combined with the implementation of a Bonding Assistance Program, the OCIP is a demonstrable investment the City can make to aid in workforce development within the Contracting community of the City of Oakland.

PUBLIC OUTREACH/INTEREST

The working group will continue to assess the feasibility of implementing a Rolling OCIP and a Bonding Assistance Program with the intent of making City Capital Improvement Projects and other public works construction projects more attainable to small, local contractors. As the programs become available, educational sessions and program outreach efforts will be developed.

COST SUMMARY/IMPLICATIONS

FISCAL IMPACT: This report reports on the actions of a staff working group tasked with reviewing the feasibility of establishing a Rolling OCIP. No costs are associated with the functioning of the group.

SUSTAINABLE OPPORTUNITIES

Economic: This proposed action does not provide any economic benefits or opportunities.

Environmental: This proposed action does not provide any environmental benefits.

Social Equity: This proposed action does not provide any social equity benefits.

For questions regarding this report, please contact Deborah Grant, Risk Manager, at (510) 238-7165.

Respectfully submitted,

Jim Reese
Department of Human Resources & Information Technology
Interim Director

Prepared by:
Deborah Grant, Risk Manager
DHRM - Risk and Benefits Division

Attachment A – Oakland Army Base Redevelopment Project & City Capital Improvements Program - Owner Controlled Insurance Program Feasibility Study (March 2013)

Item: _____
CED Committee
April 9, 2013

ATTACHMENT A

CITY OF OAKLAND

Oakland Army Base Redevelopment Project & City Capital Improvements

Owner Controlled Insurance Program Feasibility Study

Prepared by

Jim Castle
Managing Director
Alliant Insurance Service, Inc.

March 2013

EXECUTIVE SUMMARY

The Oakland Army Base Redevelopment Project (OAB) is a large infrastructure project being undertaken by the City of Oakland (City). The OAB is currently in the pre-construction stage and is estimated to cost approximately $200,000,000 and take 48-60 months to complete. In addition to the OAB, the City has approximately $129,787,650 in additional ancillary capital improvement projects (CIP) throughout the City during the construction build-out of the OAB. Given the size and overall scope of both the OAB and CIP, the City has authorized Alliant Insurance Services, Inc. (Alliant) to prepare a feasibility study to determine if the application of an Owner Controlled Insurance Program (OCIP) would be appropriate for the City to implement. For purposes of this study, the combination of the OAB and CIP will be collectively referred to as City Projects.

An OCIP is a centralized insurance and loss control program designed to provide protection to the Project Owner (Sponsor) and all contractors and subcontractors for certain insurance coverage while they are on a covered project site. The recognized benefits of an OCIP over the conventional approach to construction insurance and loss control programs include greater risk control and improved insurance coverage for all involved parties and the opportunity for cost savings for the Sponsor. Prior to the implementation of an OCIP it is important to ensure that there is a reasonable expectation that the OCIP approach will outperform a conventional insurance approach.

The following items were reviewed to evaluate the appropriateness of an OCIP for the Project.

- Project Size
- Project Duration
- Project Location
- Legal Jurisdiction of the Project
- Project Control
- Project Labor Component
- Project Security
- Project Management
- Insurance Marketplace
- Economic Viability

Recommendations:

Based on our understanding of the City Projects, a review of the documents provided, and the evaluation of the key criteria, it is our opinion that the City should proceed with an OCIP approach on the City Projects.

This recommendation is based on the fact that the City Projects fits well within all of the non-financial criteria. Additionally, the City Projects are a strong candidate for a financially successful OCIP.

EVALUATION CRITERIA

Project Size:

Typically OCIP's are most applicable on large construction projects. Historically this has been defined as a single project or a series of projects with at least $100,000,000 in construction costs. It is at this size that the positive financial impact of an OCIP can be truly obtained.

Oakland Army Base Redevelopment Project:

The OAB has an estimated construction cost of $200,000,000 and therefore meets the criteria to achieve a positive financial outcome through implementation of an OCIP.

Capital Improvement Projects:

The additional projects have a combined estimated construction cost of $129,787,650 and therefore meet the criteria to achieve a positive financial outcome through implementation of an OCIP.

Project Duration:

Due to the fixed costs involved in the underwriting and administrative processes, an OCIP project should last at least one year. There is no maximum project duration, but most insurers would have to approach the reinsurance market and secure facultative reinsurance for any project that has a build out of over 60 months. The facultative insurance process can drive up the fixed costs of the OCIP for the owner.

Oakland Army Base Redevelopment Project:

The OAB has scheduled construction duration between 48 and 60 months, and fits well within the criterion. There should be no need for an insurer to approach the facultative reinsurance market for the OCIP.

Capital Improvement Projects:

The construction duration for the projects within the CIP ranges from 1 – 13 months. On their own, some of these individual projects would not qualify for an OCIP. However, because the duration of the OAB exceeds the 1 year requirement and the combined duration for the CIP exceeds 1 year, the CIP meets the qualification criterion related to project duration.

Project Location:

A single site project location is the easiest to monitor and control from a safety and risk management standpoint. Multiple project locations often utilize unified loss control programs to better control safety.

Oakland Army Base Redevelopment Project:

The Project meets this criterion.

Capital Improvement Projects:

As the CIP will be spread across multiple locations, implementation of a centralized loss control program that requires project participants to adhere to the same standards across the City's Projects will allow the City to better monitor and control the risk management of each of the individual projects.

Jurisdiction:

The specific statutory environment in the location of the project must be examined to determine the legality of an OCIP.

Oakland Army Base Redevelopment Project:

There are no known statues in the State of California that prevent the use of an OCIP on a Public Works project.

Capital Improvement Projects:

There are no known statues in the State of Cahfomia that prevent the use of an OCIP on a Public Works project.

Project Control:

The contract is the most important document in construction risk management. This is no different under the OCIP approach. OCIP specific contract language should be inserted in all prime contracts with the requirement that they flow into all subcontracts of every tier. The OCIP contract language spells out the rights and responsibilities of all of the involved parties. Ideally, the contract language should be made available to the prospective bidders as part of the project bid documents. It is also valuable to have an administrator that is well versed with the OCIP contract process.

Oakland Army Base Redevelopment Project:

It is our understanding that the awarded design-build contractor is a Joint Venture of Turner-Top Grade - FCI. Their experience and reputation will be valuable should the City proceed with the OCIP for the Project. The potential OCIP was introduced to the Joint Venture, and based on our understanding of the project schedule, there is adequate time to place the OCIP as well as prepare and distribute the OCIP documentation. Alliant has been involved as an OCIP Administrator on over $10 billion of construction value over the past 5 years, bringing the experience and capabilities necessary for a successful program.

Capital Improvement Projects:

The City is in a good position for meeting this criterion for contracts that have not been awarded for the CIP projects at the time of the development of this study. The OCIP will be able to be introduced in bid documents and awarded contracts. Notifying prospective bidders and awarded contractors of the OCIP ahead of the bid and contracting phase is the most favorable method of meeting the Project Control criterion.

Project Labor Component:

Dependant on the type of type of construction project, the ideal labor cost on a Project should range between 15 – 20 % of the total estimated hard cost of construction. Work related injuries are the most predictable and preventable of all construction losses. A

significant labor force allows the Project the opportunity to generate signiticant cost reductions to the City. In addition, many contractors in the State of California purchase their workers' compensation on a tirst dollar basis. The OCIP approach typically has a deductible component that when combined with the "bulk purchase" aspect can significantly reduce the workers' compensation costs of a project.

Oakland Army Base Redevelopment Project:

Based on the current labor rates in the State of California on prevailing-wage projects, the labor costs of the project should meet or exceed this threshold. It is anticipated that the actual labor to project cost ratio will be at 15%. This ratio is in line with a public infrastructure project as these types of projects tend to have a higher usage of machinery and equipment as opposed to direct labor.

Capital Improvement Projects:

Based on the scope of work identified, it is anticipated that the CIP will meet this threshold with an actual labor to project cost ratio of 16 %. This percentage is based on a mixture of both heavy machinery and more labor based infrastructure projects comprising the majority of the known projects within the City's current CIP.

Project Security:

To protect the workforce and the general public all construction projects should be secured in a fashion that restricts / prevents unauthorized entry. Restricted access to the project site enhances the control of the project leading to better OCIP results.

Oakland Army Base Redevelopment Project:

Based on the fact that the project is a single location, site security is going to be less of a challenge. The City in conjunction with the Prime Contractor should make every effort to protect the public from the project site.

Capital Improvement Projects:

While the projects will be in different locations throughout the City, some will be considered single site locations that can be fenced in the same manner described above for the OAB. For the road improvements, the use of flaggers, signage, cones, barricades and crash cushions will be essential to providing a secure site.

Project Management:

A successful OCIP must have the support of the overall project management team. The team will be responsible for defining the protocols within the OCIP, and the ultimate enforcement of the protocols if the contractors and subcontractors in the OCIP fail to comply.

Oakland Army Base Redevelopment Project:

Based meetings between the City and Alliant, it was our opinion that the project management team would fully support the OCIP if it was determined to be in the best interest of the City and implemented.

Capital Improvement Projects:

At the time of this study, Alliant is unaware of the project teams selected for the projects within the CIP. However, with assistance from Alliant, a unified message by the City that promotes the use and benefits of an OCIP will help the City integrate the OCIP with each individual project team.

Insurance Marketplace:

The current insurance marketplace is experiencing an increase in the number of OCIP's being placed on behalf of project owners. The insurance marketplace for smaller contractors and subcontractors has changed and it is substantially more difficult for these contractors to provide adequate insurance documentation, for example, Additional Insured Endorsements that provide the Owner with completed operations coverage. Additionally, recent legislation passed in California has disallowed the use of Type I indemnity agreements between GC's and subcontractors on projects covered under the traditional approach to project insurance, but allows for Type I indemnity agreements between GC's and their subcontractors to exist when Controlled Insurance Programs are in place. This has lead to more GC's favoring the use of OCIP's or exploring CCIP's for their projects. As has been the case for the last several years, the insurers that provide the primary OCIP coverage continue to be those that are financially stable.

Oakland Army Base Redevelopment Project:

The CSAC EIA program that the City of Oakland is eligible for is underwritten by Old Republic. Old Republic is a strong, economically viable insurer with an excellent policy holder surplus.

Under the CSAC EIA program, Old Republic has agreed to signiticant coverage enhancements providing the EIA Member greater tinancial protections from loss than a traditional insurance approach. In addition, the financial structure of the EIA Program allows us to confidently predict the maximum financial exposure to the Member on a project basis. Finally, the OCIP approach has consistently proven to be cost effective in the claim process as it eliminates the need to litigate against the Contractors on the project and their insurers to pay for incidents that arise during construction and to correct faulty workmanship post construction.

Capital Improvement Projects:

The CIP for the City would tit perfectiy within the CSAC EIA program. The construction scope, duration, values, and locations all match the eligibility requirements for participation. The same benefits to the program described above would be afforded to the CIP projects as well.

Economic Viability:

It is important to look at the cost factors and determine if the OCIP approach is cost effective when compared against the traditional approach to construction insurance and risk control.

We have prepared the following is a summary of the three primary bench marks of the tinancial model that was prepared for this project. The summary details the cost savings to the City at the expected, mid-way, and worst case loss scenarios through the OCIP approach. This information was compiled utilizing data we would expect based upon insurance industry rates and statistics, and our experience with past OCIP projects.

I have included for your review the tinancial model comparing the OCIP to the traditional approach to construction insurance within the appendix.

Oakland Army Base Redevelopment Project:

Due to the size and scope of the Project, it is anticipated that the OCIP approach is tinancially feasible and could deliver overall savings to the City of 0.94% of the total construction costs. Using a cost of construction estimate of $200,000,000, the tinancial model provided the following results based on the scope of work and project duration.

Expected Scenario:

Estimated Cost of Insurance for Contractors – No OCIP:	$5,000,000
Estimated Cost of Insurance OCIP Expected Scenario:	$3,121,606
Estimated Project Savings to City:	$1,878,394
Percentage of Total Cost of Construction:	0.94%

Mid Point Scenario:

Estimated Cost of Insurance for Contractors – No OCIP:	$5,000,000
Estimated Cost of Insurance OCIP Expected Scenario:	$3,401,130
Estimated Project Savings to City:	$1,598,870
Percentage of Total Cost of Constmction:	0.80%

Maximum Loss Scenario:

Estimated Cost of Insurance for Contractors – No OCIP:	$5,000,000
Estimated Cost of Insurance OCIP Expected Scenario:	$4,099,940
Estimated Project Savings to City:	$ 900,060
Percentage of Total Cost of Construction:	0.45%

The Estimated Cost of Insurance for Contractors – No OCIP represents the cost of insurance that is included in the bids submitted by the contractors for the Project. Included in this tigure are the estimated costs when the contractor and all subcontractors on the project supply the General Liability, Excess Liability and Workers' Compensation insurance coverage.

The Estimated Cost of Insurance OCIP Expected Scenario represents the cost of insurance for the Project if claims on the Project equal the loss pick of $419,286. Included in this tigure is the estimated cost when the City supplies the General Liability, Excess Liability in the amount of $100,000,000, and Workers' Compensation insurance coverage. In addition, this figure includes the estimated cost of administration for the OCIP.

Oakland Army Base Redevelopment Project:

The following criteria were used to determine the financial feasibility for the model summarized above.

1. Does the project generate a savings at the expected loss level, and
2. Does the project generate a positive minimum savings, or
3. Is the potential maximum savings generated by the OCIP approach greater than the potential additional cost of the approach?

The Expected, Mid Point, and Worst Case bench marks passed the financial feasibility test. Alliant uses the following scale to rate the financial appropriateness of an OCIP approach.

Number of models with a positive outcome:

3: Strong Candidate
2: Good Candidate
1: Weak Candidate
0: Not a Candidate

Based on the results of the analysis, this project is a strong candidate for a financially successful OCIP.

City's Projects:

The capital improvement projects would be combined into the overall program with the OAB. The reasoning behind this combination is validated by the aggregated construction volume, coinciding project schedule, and the ability of the City to serve as the Sponsor to the program as a whole.

The City's Projects provide an even stronger financial benefit to the City in aggregate than the OAB provides on its own. It is anticipated that the OCIP approach is financially feasible and could deliver overall savings to the City of 1.03% of the total construction costs. Using a cost of construction estimate of $329,787,650, the financial model provided the following results based on the scope of work and project duration.

Expected Scenario:

Estimated Cost of Insurance for Contractors – No OCIP:	$8,244,691
Estimated Cost of Insurance OCIP Expected Scenario:	$4,854,741
Estimated Project Savings to City:	$3,389,950
Percentage of Total Cost of Construction:	1.03%

Mid Point Scenario:

Estimated Cost of Insurance for Contractors – No OCIP:	$8,244,691
Estimated Cost of Insurance OCIP Expected Scenario:	$5,349,677
Estimated Project Savings to City:	$2,895,014
Percentage of Total Cost of Construction:	0.88%

Maximum Loss Scenario:

Estimated Cost of Insurance for Contractors – No OCIP:	$8,244,691
Estimated Cost of Insurance OCIP Expected Scenario:	$6,587,016
Estimated Project Savings to City:	$ 1,657,675
Percentage of Total Cost of Construction:	0.50%

The Estimated Cost of Insurance for Contractors – No OCIP represents the cost of insurance that is included in the bids submitted by the contractors for the Project. Included in this figure are the estimated costs when the contractor and all subcontractors on the project supply the General Liability, Excess Liability and Workers' Compensation insurance coverage.

The Estimated Cost of Insurance OCIP Expected Scenario represents the cost of insurance for the Project if claims on the Project equal the loss pick of $419,286. Included in this figure is the estimated cost when the City supplies the General Liability, Excess Liability in the amount of $100,000,000, and Workers' Compensation insurance coverage. In addition, this figure includes the estimated cost of administration for the OCIP.

City's Projects:

The following criteria were used to determine the financial feasibility for the model summarized above.

1. Do the projects generate a savings at the expected loss level, and
2. Do the projects generate a posifive minimum savings, or
3. Is the potential maximum savings generated by the OCIP approach greater than the potential additional cost of the approach?

The Expected, Mid Point, and Worst Case bench marks passed the financial feasibility test. Alliant uses the following scale to rate the financial appropriateness of an OCIP approach.

Number of models with a positive outcome:

3: Strong Candidate
2: Good Candidate
1: Weak Candidate
0: Not a Candidate

Based on the results of the analysis, the City's Projects are a strong candidate for a financially successful OCIP.

FINDINGS & RECOMMENDATIONS

Based on our understanding of the City's Projects, our review of the information provided by the City, and the evaluation of the key criteria of a successful OCIP, it is our opinion that City of Oakland should proceed with an OCIP approach for both the Oakland Army Base Redevelopment Project and Capital Improvement Projects as a combined rolling OCIP.

This recommendation is based on the fact that the projects either fit well within all of the non-financial criteria or is negated by the City's membership within CSAC EIA. The City's Projects are a strong candidate for a financially successful OCIP.

Should the City elect to proceed with the OCIP, we recommend the following protocols be established early in the process to assist in the success of the endeavor.

- Contract Language: Contract Language specific to the OCIP and its processes be inserted into contract documents.
- OCIP Procedure Manual: A sample OCIP procedure manual should be distributed with the Project Bid Documents. The manual outlines for the contractor the City's expectations and their responsibilities under the OCIP.
- Safety Program: A Project Specific Safety Program should be designated and in-force prior to the start of construction. We recommend that the City require at least one full-time safety person for the project. This person can be provided by the Prime Contractor or an outside Third Party Vendor.

Appendix

CSAC EIA OCIP
City of Oakland - Oakland Army Base

PROJECT			
Construction Value	$	200,000,000	
Payroll	$	29,800,000	14.9%

CONTRACTOR INSURANCE COSTS (CREDITS)		PREMIUM	RATE	PERCENTAGE OF CV
Subcontractor and GC Insurance Costs - WC/GL/XS	$	5,000,000		2.50%
Total	$	5,000,000		

OCIP PROGRAM COSTS		MINIMUM		LOSS AGGREGATE		MAXIMUM	% OF CV	
	$	4.84	$	4.59	$	9.53		
Primary WC/GL	$	1,442,320	$	1,397,620	$	2,839,940	1.42%	(@max)
Excess Premium	$	800,000			$	800,000	0.40%	
Administration	$	460,000			$	460,000	0.23%	
Total OCIP Program Costs	$	2,702,320	$	1,397,620	$	4,099,940	2.05%	(@max)
% of CV		1.35%		0.70%		2.05%		

			SAVINGS AT CURRENT RATES		
LOSS LEVEL (AS PERCENT OF LOSS AGGREGATE)	LOSSES	PROGRAM COSTS PLUS LOSSES	INSURANCE CREDITS	PROGRAM SAVINGS	% OF CV
A	B	C	D	E	F
	A x Loss Aggregate	*B + Total Program Costs*	*Total Contractor Insurance Costs*	*D - C*	
0%	$ -	$ 2,702,320	$ 5,000,000	$ 2,297,680	1.15%
10%	$ 139,762	$ 2,842,082	$ 5,000,000	$ 2,157,918	1.08%
20%	$ 279,524	$ 2,981,844	$ 5,000,000	$ 2,018,156	1.01%
30%	**$ 419,286**	**$ 3,121,606**	$ 5,000,000	**$ 1,878,394**	**0.94%**
40%	$ 559,048	$ 3,261,368	$ 5,000,000	$ 1,738,632	0.87%
50%	$ 698,810	$ 3,401,130	$ 5,000,000	$ 1,598,870	0.80%
60%	$ 838,572	$ 3,540,892	$ 5,000,000	$ 1,459,108	0.73%
70%	$ 978,334	$ 3,680,654	$ 5,000,000	$ 1,319,346	0.65%
80%	$ 1,118,095	$ 3,820,416	$ 5,000,000	$ 1,179,584	0.59%
90%	$ 1,257,858	$ 3,960,178	$ 5,000,000	$ 1,039,822	0.52%
100%	$ 1,397,620	$ 4,099,940	$ 5,000,000	$ 900,060	0.45%

Note: The assumptions in this model are for estimating purposes and have been derived by Alliant. Estimates are subject to change pursuant to insurance market conditions and variations in payroll estimates used in this model. Alliant was not provided with a payroll trade breakdown for this analysis.

CSAC EIA OCIP
City of Oakland - Oakland Army Base + Ancillary City
Capital Improvements

PROJECT			
Construction Value	$	329,787,650	
Payroll	$	52,765,000	16.0%

CONTRACTOR INSURANCE COSTS (CREDITS)		PREMIUM	RATE	PERCENTAGE OF CV
Subcontractor and GC Insurance Costs - WC/GL/XS	$	8,244,691		2.50%
Total	$	8,244,691		

OCIP PROGRAM COSTS		MINIMUM		LOSS AGGREGATE		MAXIMUM	% OF CV	
	$	4.84	$	4.69	$	9.53		
Primary WC/GL	$	2,553,826	$	2,474,679	$	5,028,505	1.52%	(@max)
Excess Premium	$	800,000			$	800,000	0.24%	
Administration	$	758,512			$	758,512	0.23%	
Total OCIP Program Costs	$	4,112,338	$	2,474,679	$	6,587,016	2.00%	(@max)
% of CV		1.25%		0.75%		2.00%		

			SAVINGS AT CURRENT RATES		
LOSS LEVEL (AS PERCENT OF LOSS AGGREGATE)	LOSSES	PROGRAM COSTS PLUS LOSSES	INSURANCE CREDITS	PROGRAM SAVINGS	% OF CV
A	B	C	D	E	F
	A x Loss Aggregate	*B + Total Program Costs*	*Total Contractor Insurance Costs*	*D - C*	
0%	$ -	$ 4,112,338	$ 8,244,691	$ 4,132,354	1.25%
10%	$ 247,468	$ 4,359,805	$ 8,244,691	$ 3,884,886	1.18%
20%	$ 494,936	$ 4,607,273	$ 8,244,691	$ 3,637,418	1.10%
30%	**$ 742,404**	**$ 4,854,741**	$ 8,244,691	**$ 3,389,950**	**1.03%**
40%	$ 989,871	$ 5,102,209	$ 8,244,691	$ 3,142,482	0.95%
50%	$ 1,237,339	$ 5,349,677	$ 8,244,691	$ 2,895,014	0.88%
60%	$ 1,484,807	$ 5,597,145	$ 8,244,691	$ 2,647,547	0.80%
70%	$ 1,732,275	$ 5,844,613	$ 8,244,691	$ 2,400,079	0.73%
80%	$ 1,979,743	$ 6,092,080	$ 8,244,691	$ 2,152,611	0.65%
90%	$ 2,227,211	$ 6,339,548	$ 8,244,691	$ 1,905,143	0.58%
100%	$ 2,474,679	$ 6,587,016	$ 8,244,691	$ 1,657,675	0.50%

Note: The assumptions in this model are for estimating purposes and have been derived by Alliant. Estimates are subject to change pursuant to insurance market conditions and variations in payroll estimates used in this model. Alliant was not provided with a payroll trade breakdown for this analysis.