

# A Decade of Success

DC Water's Rolling Owner-Controlled Insurance Program  
(ROCIP) Enhances Safety, Cuts Costs

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Chubb Special Report

“The keys for success are collaboration and commitment. Our cross-functional team is a model for this organization.”

– Tanya DeLeon, Risk Manager, District of Columbia Water & Sewer Authority

While the nation’s capital presents a polished, modern image, it still faces the same daunting infrastructure problems as many older East Coast cities. That’s particularly true of Washington DC’s water and sewer systems, some of which were built during the Civil War. To bring those systems up to date, the District of Columbia Water and Sewer Authority (DC Water) has been engaged in an ambitious, multi-billion-dollar capital program. The projects have included replacing antiquated water mains and sewers throughout the District, upgrading a major wastewater treatment plant and building huge new tunnels to reduce sewer overflows into local rivers during heavy rainstorms. As this massive capital program has moved ahead over the last decade, a key contributor to its success has been DC Water’s groundbreaking insurance strategy that has enhanced safety and significantly reduced insurance costs.

In 2004, DC Water was embarking on a major capital improvement program that included larger-than-normal projects, including many valued in the hundreds of millions of dollars such as the 4-1/2 mile Blue Plains Tunnel. As the utility assessed the challenges posed by digging, excavating and tunneling in busy city areas, it also sought a better way to manage risk and insurance costs for its many construction projects. The goal was to consolidate all of the insurance, strengthen safety oversight of contractors, improve claims management, and enhance participation by minority prime and subcontractors.

Working with outside consultants from Albert Risk Management Consultants; insurance brokers Aon plc and its safety partner MFL Consulting; certain insurers in the Chubb Group (“Chubb”), and Chubb’s risk management services company, ESIS, Inc, the utility developed a comprehensive plan to address safety, risk engineering and insurance coverage

issues through a rolling owner-controlled insurance program (ROCIP). Ten years later, the program - now in its third iteration - has significantly improved safety, streamlined claims handling and avoided millions of dollars in insurance costs, while allowing many prime and subcontractors to obtain insurance. The program’s decade-long record of success reflects the commitment from the utility’s management, collaboration across departments at DC Water, a continuous dedication to improving safety and reducing claims, and close cooperation among the utility’s risk, safety and engineering managers, Albert Risk, Aon, MFL, Chubb and ESIS.

### Unique Challenges

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In its modernization program, DC Water has to deal with difficult challenges on a daily basis. The utility operates more than 1,350 miles of water pipes, some of which were installed in the 1800’s, and more than 1,800 miles of sewer and storm water lines. The median age of the water system is 79 years and the sewer system about 85 years. A significant number of the sewers were built more than a century ago. Construction projects impact not only residential and commercial areas but also crucial federal government agencies.

For any organization, managing a wide variety of construction projects simultaneously could prove daunting. Those challenges were amplified for DC Water by the urban setting, the type of work, as well as the need to manage a large number of contractors on multiple projects and to meet increasingly stringent environmental regulations. At the same time, a major goal for DC Water was to increase participation in construction projects by minority contractors and subcontractors. Many of those contractors, however, needed to make enhancements to their safety programs and found it difficult to procure

the insurance coverage required to participate in the utility's projects.

Ensuring safety was an ongoing challenge as DC Water worked to bring all of its contractors up to the same rigorous safety standards. Much of the work in upgrading water and wastewater infrastructure involves digging and utility strikes are a major concern as hitting buried telecommunication, natural gas and other lines can pose safety risks, disruption of service, reputational damage and ultimately impact insurance costs. Fall prevention was another factor on projects system wide. While safety requirements were included in contracts, ensuring compliance was difficult because of staffing restraints. Although contractors had supervisors on site, the utility encountered difficulties in adequately monitoring safety at all of its construction sites for all of its contractors. A crucial challenge was getting contractors to provide timely incident reports, document worker training, and cooperate with claims adjusters.

Insurance was, of course, a major consideration. DC Water had been relying on a traditional insurance program with \$5 million limits, while requiring contractors to provide their own coverage and to indemnify the utility. A single digging accident that interrupted utility service to a neighborhood, however, could easily run through those limits. In addition, there were concerns about the levels and quality of insurance provided by the contractors as well as the cost of that insurance. In the end, DC Water was paying for the insurance purchased by contractors through the cost of the work. The utility recognized that it needed a new strategy.



### **A New Approach**

To meet these challenges, DC Water took a different approach. Working with outside consultants Albert Risk and insurance broker Aon plc, the utility decided to consider a wrap-up program, under which it would provide general liability and workers' compensation insurance for all of its construction projects, rather than relying on individual contractors. Besides providing a consistent level of insurance across all projects, an owner-controlled insurance program would enable the utility to enforce system-wide safety standards for all contractors. Another significant benefit was the ability to bring in more minority contractors that might not have been able to secure adequate insurance on their own.

For potential insurers, the program carried a number of uncertainties. There were no similar programs of this type in terms of size and scope to provide guidance. DC Water was looking at a capital improvement program valued in the billions of dollars with projects

planned out on a 5, 10 and 25-year basis. The risks were extremely varied, involving work at waste water treatment and water distribution facilities as well as heavy construction, tunneling and digging across the District of Columbia. It was very unclear how the claims scenarios might play out over time.

There were internal hurdles to overcome as well. A strong commitment by the utility's management team, however, was instrumental in moving the program forward. That commitment was reflected in management's focus on improving efficiency, performance and safety across all projects.

One of the challenges was in fostering greater cooperation among departments at the utility when it came to engineering, procurement and risk management. By explaining how the ROCIP would allow for better collection of safety and claims data and provide a clearer picture of the incident rates, the managers were able to win over other departments. For example, the engineering department was intrigued by the possibility of more

## “Upcoming contract notifications and size allows the team to promote resource forecasting and discuss previous contractor management.”

– Gus Bass, Manager, Program Services, District of Columbia Water & Sewer Authority

comprehensive data collection that would allow better monitoring of contractor performance, incident rates and frequency of accidents - all of which are measures that the department considers when awarding contracts.

In addition to increased monitoring and data capabilities, the program offered significant savings on insurance. Generally, contractors would mark up the cost of their insurance and pass those costs on to the utility. With so many different individual insurance programs, those costs added up. In the feasibility study, the utility looked at its long-term capital improvement program, along with the anticipated construction costs and the premiums for an owner-controlled insurance program. It became clear that the ROCIP was the best way forward.

The next step was choosing a provider for its insurance services. In consultation with Albert Risk and Aon, DC Water opted to work with Chubb and ESIS. Among the factors that led to that decision were Chubb’s underwriting capabilities and ESIS’s expertise in construction safety and the risk management. For instance, Chubb required pre- and post-accident drug testing for workers, which strengthened the utility’s hand in improving construction safety by instituting that requirement for all of its contractors.

### **Accountability Improves Safety**

Over the last 10 years, the ROCIP has achieved some notable successes. One of the key benefits has been increased accountability for safety at all levels. Today, the utility’s construction contracts provide a more comprehensive view of the safety requirements, with the safety and insurance manuals included.

Contractors understand that the safety manual is an extension of the contract and that they must adhere to it.

Contractors are required to participate in the safety program and to provide qualified safety personnel on site. DC Water consistently emphasizes best practices and works to educate its contractors. For all construction work, risk engineers perform risk assessments.

Contractors are required to provide job hazard analyses at the beginning of a project and continue as a project progresses. Where risks are evolving, the underwriters are kept up to date to ensure that the program addresses all appropriate exposures.

Safety oversight has improved markedly with frequent safety visits and inspections of construction sites, with Aon and ESIS participating on a regular basis. These visits allow risk managers to pinpoint not only which contractors may need improvement but also which specific crews on a site may be taking unnecessary risks, as well as which crew leaders and superintendents are responsible. Regular team meetings among all the parties including risk management, engineering, and safety are crucial. The multi-disciplinary meetings address project plans, project scope, safety performance, claims and on-site safety observations. Contractors are well aware that the risk management team is closely following all the data. When incidents do occur, a rigorous investigations and lessons-learned program helps to identify the causes and the changes that need to be made to possibly prevent or minimize similar incidents in the future.

“There is a high degree of accountability, which runs across the program. In itself, that is a huge success ”

–Joe Crowther, Vice President, Chubb Construction

“Our major key to success is and always has been communication.”

– Ellen Rowan Program Manager and William F. Becker, National Practice Leader- Public Sector, Aon plc



### **Enhanced Claims Management**

Another area that has shown strong improvement has been claims reporting and handling. Prior to the ROCIP, some contractors did not report incidents or claims to their insurers if they believed that they were not responsible. In some cases, the utility responded by holding back payments to contractors or removing contractors from jobs because of their failure to comply with claims reporting requirements.

Today, utility managers hold regular meetings with Albert Risk, Aon, MFL, Chubb and ESIS to review and evaluate claims. These meetings help the parties focus on making sure claims get paid promptly and adequately. Regular ROCIP team meetings including risk, safety and engineering input consistently address how the utility is performing in comparison with its internal benchmarks as well as in contrast with the wider industry. Powerful claims reporting tools enable the utility to assess information gathered on claims by adjusters and risk engineers and to pull out trending reports.

A careful review of claims can reveal information that can be applied to improve safety going forward. Proactive field investigations can help to gather and preserve the facts that existed at the time of the incident on construction sites that can change very quickly. The recommendations that stem from claims reviews and investigations are communicated quickly to job sites of other contractors to help them mitigate claims and losses. For instance, a review might find that construction workers on a particular job weren't wearing required eye protection. That information and the potential risks are stressed with workers on the site so that they use the appropriate safety equipment properly. In addition, this information is provided to other contractors in the program. This approach has served to dramatically reduce utility strikes and to more quickly identify which parties are at fault. A common thread that runs through a lessons-learned program is to try and avoid incidents, reduce their frequency and the severity of claims overall.

“It’s all teamwork.  
It really is.  
We voice our  
opinions and  
share our  
knowledge and  
that makes  
the program  
even better.”

–Shirley McGlothlin,  
Assistant Vice President, ESIS

### **Program Provides Flexibility**

On such a large schedule of projects, flexibility has been a crucial element. The utility’s capital program plans out four or five years of projects, contractors and construction packages. Over the past 10 years, those packages and priorities have had to frequently refocus. Some projects that were not originally forecasted were added due to regulatory directives. In one case, major flooding brought about a mandate for a \$150 million underground tunnel project. Another challenge was ensuring construction schedules coincided with insurance schedules. Some projects were completed more quickly than expected and others were delayed. In these cases, Chubb was able to adapt the ROCIP to make sure the utility now has the needed coverage for its evolving construction projects.

### **Lessons Learned for the Road Ahead**

Over the program’s 10 years, all of the participants have learned many lessons and have consistently applied them as they strive for continual improvement. The key drivers of success so far have been commitment, communication, collaboration and consistency.

Everyone involved in the program - from contractors to project managers, the safety and claims teams, engineers, procurement, risk management and finance as well as the consultants, brokers and the carrier - is committed to supporting DC Water’s drive to meet its goals. That commitment is reflected in the open and transparent communication that has been a hallmark of the program. Over these 10 years, DC Water’s Risk Management, Safety and Engineering staff have met in person on a monthly basis with Albert Risk, Aon, MFL, Chubb and ESIS. These regular meetings strengthen the cross-functional approach internally and externally as the team meets to

discuss risk management strategy as projects are planned and get underway. Within DC Water, collaboration is crucial. The program helps to promote a multi-disciplinary, teamwork approach to addressing risks that arise on the wide variety of projects and sites. The commitment, communication and collaboration are demonstrated by the consistency that DC Water shows in actively managing this process. Even with hundreds of construction projects completed, the team has managed to avoid becoming complacent. As new lessons are learned, they are applied in the field activities.

DC Water has achieved what its risk managers set out to do. Since the program began, DC Water has saved tens of millions of dollars in insurance costs; removed obstacles to increased participation by smaller and minority firms; enhanced safety, and fostered a culture of safety among its many contractors. The cost savings and safety improvements have benefited not only the utility, but also the wider community and the ratepayers.

“The success to date is a result of DC Water’s selection of good partners, and a result of them actively managing this process .”

– Bruce MacDonald, Senior  
Consultant,  
Albert Risk Management Consultants

## About Chubb

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