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## **Look Before You Leap: Workers' Compensation Owner Direct Insurance Programs ("ODIP")**

### **Topic Objectives:**

1. What is an ODIP?
2. Why might an ODIP be useful to a school district?
3. How is an ODIP structured?
4. Of what items should a school district be aware before entering into an ODIP?

With an eye toward trying to do more with less, district budgets have been tweaked, squeezed and pinched. Creativity only goes so far, but you may have recently heard about ODIPs, also sometimes referred to as wrap-ups, which piqued your interest, and are offered as a way to reduce the final cost of construction projects.

### What is an ODIP?

An ODIP allows a DWD-approved construction project owner-school district to receive bids net of workers' compensation ("WC") insurance expenses. In return, the successful contractors each receive a project-specific WC policy purchased by the project owner-school district.

Theoretically, focusing on the project's safety may result in better than average (lower) WC claim losses, which are reflected in savings passed back to the school district.

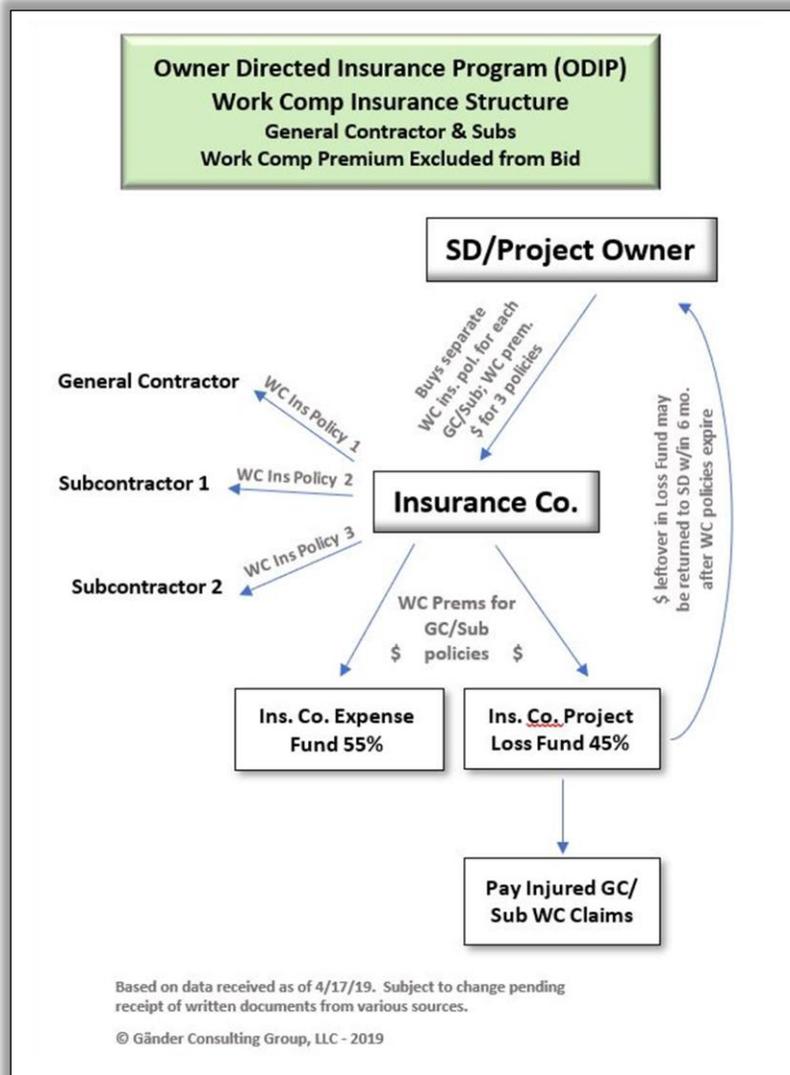
Wisconsin Administrative Code DWD 80.61 describes the obligations of all parties involved in an ODIP. DWD has the authority to approve, or deny, the use of an ODIP. Only construction projects with a completed value of \$25M and estimated standard WC premium of \$250,000 are eligible for consideration by DWD.

### Why might an ODIP be useful to a school district?

The impetus for an ODIP should be implementing a better-than-average project safety program. Fewer claims mean fewer injuries, construction interruptions and greater overall project efficiency.

If WC claims are less than expected, the savings between WC premiums paid by the district for the individual contractors' WC policies and the typical WC premium expenses included in a bid may accrue to the district.

## How is an ODIP structured?



## Of what items should a school district be aware before entering into an ODIP?

1. SD project owners are obligated to pay the contractor's injured employees' WC claims if a coverage dispute arises between the contractor's two WC insurance companies. See DWD 80.61 (3) (C) 2.f.
2. SD project owners must annually reimburse DWD for the costs it incurs because of the ODIP. Annual expenses have been as low as \$3,000 and as high as \$10,000. See DWD 80.61 (3) (C) 2.a.
3. The district must prove to DWD it has the authority to implement an ODIP. See DWD 80.61 (2) (a) 2.
4. DWD determines whether a district has the knowledge and capacity to appropriately implement and oversee a project's safety plan.
5. There is no guarantee an ODIP will save the district money.

**Conclusion:** ODIPs, also known as wrap-ups, may offer the opportunity for a district to enhance safety on its large construction projects. However, ODIPs require the upfront and annual commitment of time and money, and there is no guarantee using an ODIP will save the district money. So...look before you leap!

If you have questions about this article, contact one of the WASB Insurance Plan's Endorsed Insurance Agencies at <https://wasb.org/wasb-insurance-plan/>.

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