

# REAL ESTATE DEVELOPERS PROFESSIONAL LIABILITY

## COVERAGE APPLICATION

Real Estate Developers (RED) Professional Liability was created to provide a financing mechanism to protect against loss arising from negligent acts, errors and omissions in the performance of real estate development professional services. RED policies marry the features of professional liability insurance for design professionals, contractors and real estate development professionals into a broader solution for the real estate industry than offered before. The product can be customized for all manner of real estate professionals including those with modest ownership, firms providing services to 3rd party investors, or sophisticated real estate developers and owners looking for a comprehensive risk management program.

All real estate developers face professional liability stemming from four major areas: investors, clients/tenants, design and construction professionals, and third parties who are adversely affected by on-going development activities. RED professional liability can be structured to address each of these areas of risk and can include coverage for services provided to properties owned or unowned by the real estate developer.

## POLICY FORM

The typical RED policy provides coverage for third party economic damages, bodily injury, property damage, pollution liability, third party discrimination, personal advertising injury and defense costs that rise from covered professional services performed by or on behalf of the named insured, their subsidiaries and affiliated entities participating in a real estate development project.

## PROGRAM HIGHLIGHTS:

- RED is intended to fill the “professional liability gap” found in most general liability policies for real estate firms.
- Expansive definition of professional services including:
  - Traditional real estate development services.
  - Preparation, transmittal and awarding of design and construction bid packages.
  - Management, coordination and supervision of design and construction, whether these services are undertaken in-house or subcontracted.
  - Real estate agent, property manager, general contractor, title agent or notary services for both “owned” and “non-owned” property developments.
  - Customized services as necessary, by endorsement.
  - Some RED policies can also be coupled with a Real Estate Investment E&O product for those businesses that prepare, coordinate and solicit capital for real estate investments.
- Alternatives can be provided for defense costs outside the limit of liability.
- Fulfill contractual obligations required by owners, lenders, investors, quasi-governmental entities and other third parties.
- Coverage for Cyber Risk and Technology Services exposures.
- Rectification coverage can be provided to mitigate design errors/construction defect claims while the project is in flight.
- Real Estate Developer protective coverage to cover losses arising from negligent design.

## CONTACT

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## COVERAGE APPLICATION (*cont.*)

- Pollution losses arising from Job Site Transportation, Non Owned Disposal Sites liability (NODS), and Emergency Response Costs for costs incurred by the insured to mitigate potential pollution conditions/claims.

### **POLICY TERM**

Practice or Blanket Policy (meaning all services performed by the named insured) is typically offered on an annual basis.

Project policies can be offered on a multi-year basis, with Extended Reporting Periods up to 10 years.

### **MARKET OVERVIEW**

Today there are five domestic markets offering RED coverage on a standalone basis. These carriers have specific expertise on real estate developers and tailor coverage accordingly. In addition, coverage may sometimes be procured on a highly customized basis utilizing a miscellaneous professional liability form, although this coverage arrangement must be carefully undertaken by an insurance professional who knows the unique

exposures of real estate developers.

### **LIMITS OF LIABILITY**

- \$50,000,000 per loss/\$50,000,000 aggregate limit of liability if structured with various carriers from the professional liability insurance marketplace.
- \$10,000,000 per loss/\$10,000,000 per aggregate with any one particular carrier.

### **RETENTIONS**

- \$10,000 minimum. RED carriers typically offer only self insured retentions.

### **PREMIUMS**

- Typical premiums begin around \$10,000 for a \$1,000,000 per loss/\$1,000,000 aggregate limit of liability.

### **INFORMATION NEEDED FOR INDICATION**

- Real Estate Development E&O Application.

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