

PRODUCT PROFILE

CONTRACTORS PROFESSIONAL LIABILITY

COVERAGE APPLICATION

Contractors Professional Liability Insurance (CPrL) was created for construction firms to offer a cost-effective financing solution for third-party professional liability, as well as first-party damages from subcontracted design or professional services.

CPrL can provide necessary protection against a construction firm's professional activities from design / build projects, in-house design services, subcontracted design services or professional liability associated with "at-risk" construction management. In addition, CPrL can be structured to address areas of environmental risk, job site operations, transportation of waste / materials, disposal activities and owned / leased properties.

POLICY FORM

CPrL provides coverage for the damages arising from acts, errors, and omissions in professional services performed by or on behalf of any construction firm. Some CPrL programs offer first-party coverage, such as "protective" or rectification coverage (otherwise known as mitigation). Protective coverage indemnifies the named insured for the costs it incurs (in excess of the design professional's (DP's) professional liability insurance) and is legally entitled to recover as a result of the negligent acts, errors, and omissions committed by design professionals under contract with the named insured. Whereas contractors protective coverage supplements the DP's professional liability insurance, rectification coverage essentially replaces the DP's insurance solely with respect to the costs incurred by the named insured to remedy the design errors discovered during the

course of construction and would have otherwise resulted in professional liability claims.

PROGRAM OVERVIEW:

- Risk management mechanism for both professional and environmental losses, rather than the cost being incurred by the named insured.
- Provides coverage for defense costs from both owners and third parties. With both professional and environmental liability, defense costs alone can be catastrophic.
- Different insuring agreements for each coverage part, providing flexibility with limits, retentions and coverage grants.
- Fulfill contractual obligations that require both professional and pollution liability coverage in a cost-effective manner.
- Underwriting process assists the contractor in managing both professional and environmental liability risk.
- The key advantage of CPrL is that it supplements the available professional liability insurance provided by the design professional.
- The Self Insured Retention (SIR) only applies in the event the underlying design professional's coverage is impaired or limits are exhausted. The SIR does not apply when the design professional's underlying professional liability policy is unimpaired or limits are intact.
- CPrL offers "difference in coverage" above the underlying professional liability policy, extending coverage to the owner in the event the underlying policy is deficient in coverage. Some examples of instances where this may apply include mold, construction management, and habitational exclusions.

CONTACT

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broker or underwriter.

CONTRACTORS PROFESSIONAL LIABILITY (cont.)

- Reduces potential adversarial relationships with design professionals.
- Creates a competitive advantage when the benefits of such coverage are properly conveyed to the owner.
- Mold liability coverage can be included.
- Pollution arising from transportation performed by or on behalf of the named insured for losses arising from materials / waste transported or collisions.
- Non-owned disposal site coverage (for clean up or liability arising from a designated disposal site) can be provided.
- Punitive damages (where allowable by law) can be provided. In cases involving environmental claims – especially mold – punitive damages coverage may be an extremely crucial coverage enhancement.

POLICY TERM

- Practice or Blanket Policy (meaning all operations performed by the named insured) is typically offered on an annual basis.
- Project policies can be offered up to 15 years. Longer terms may be negotiated on an individual basis

MARKET OVERVIEW

Today there are very few carriers willing to offer various forms of CPrL coverage. Appetite varies dramatically. CPrL currently represents nearly 40% of the professional liability marketplace. Each carrier offers their own manuscripted policy; review each form for accuracy.

LIMITS OF LIABILITY

- \$300,000,000 per loss / \$300,000,000 aggregate limit of liability if structured with various carriers from the professional liability insurance marketplace.
- \$25,000,000 per loss / \$25,000,000 aggregate with any one particular carrier.

RETENTIONS

- \$10,000 minimum.
- CPrL carriers offer both self insured retentions and deductibles. Typically deductibles have to be negotiated prior to policy inception

PREMIUMS

Typical premiums begin around \$2,500 for the \$1,000,000 per loss / \$1,000,000 aggregate limit of liability.

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