

COVERAGE APPLICATION

Owner's Protective Professional Insurance (OPPI) provides owners and developers of construction projects an alternative to costly project-specific professional liability policies (PSPL). OPPI is a first-party policy that extends coverage to the named insured (owner or developer) for damages the owner incurs from professional liability created by the project design team. OPPI is a cost effective solution to PSPL for virtually any size project and is available to almost any type of construction project.

POLICY FORM

Two core insuring agreements are available and include First-Party Indemnity and Third-Party Defense. First-party indemnity, referred to as Protective, indemnifies the named insured for damages in excess of available design professional insurance. This coverage part should drop down in the event a design professional's practice policy has eroded or is less broad than the coverage offered under the Owner's Protective Professional Indemnity (OPPI). Third-party defense protects owners from the actions arising from the vicarious liability assumed through the contracting of design professionals. Optional excess Contractor's Pollution Liability (CPL) is available from most markets.

Purchase of OPPI includes the policy period, which generally matches the construction period, and an Extended Reporting Period (ERP) along with a retroactive date, which generally matches the first date of design. OPPI policies are often auditable but should allow for automatic extension for project delays. OPPI can be purchased for a single project or be structured to enroll additional projects over a multi-year policy period.

PROGRAM OVERVIEW:

- The key advantage of OPPI is that it supplements the available professional liability insurance provided by the design professional.

- Provides owners a cost-effective alternative to costly project insurance. OPPI is typically 40-60% less than project professional liability policies.
- The SIR does not apply when the underlying design professional's professional liability policy is unimpaired or limits are intact.
- All the benefits of having an owner controlled program exist such as primary protection for the owner, consistency in coverage and reduced cost. In addition, the program is structured to ensure the lead design professional's policy pays for covered claims in a timely fashion.
- OPPI 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 deficiencies include mold, construction management, and habitational exclusions.
- Increased financial security throughout the life of the project.
- Retroactive coverage can be afforded for those projects already in the construction phase.
- Reduces potential adversarial relationships with design professionals.
- Allows owner the flexibility in selection of design professionals.
- OPPI is less cumbersome for owners to manage since there is no need to follow up with design professionals on their insurance program's renewal, limits impacted by defense cost and coverage restrictions.
- Defense cost for third-party claims arising out of the design professional's services in the event the owner is sued.
- Contractor's pollution coverage can be included providing the owner with excess coverage for pollution claims, including mold.
- Policies providing provision that allows OPPI insurer to settle the claim excess of the recoverable insurance before the underlying claim between owner and design professional is paid or settled.

CONTACT

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POLICY TERM

OPPI can be offered for construction periods of up to 15 years for individual projects (including extended reporting period) and annual for blanket programs.

MARKET OVERVIEW

There are currently 10 carriers writing the "primary" with a few secondary markets offering coverage excess of the initial OPPI layer. Most markets can provide \$10 to \$15 million on the primary layer, while a select few can write a full \$25 million. Total market capacity is between \$100 and \$150 million, depending on the type of project.

Benefits to owners and developers include Named Insured status, a defense against third-party claims and significant reduction in cost.

Another benefit of the OPPI is the defense coverage part for third-party claims. With the continuing trend for architects and engineers (A&Es) to remove defense provisions from their professional service contract leaving the owner or the general contractor to fend for themselves when legal actions are brought against them as a result of the services performed by the A&E. As excess insurance, OPPI pricing is often 50% or less than the cost of primary project-specific professional liability (PSPL) placements.

LIMITS OF LIABILITY

- \$250,000,000 per loss / \$250,000,000 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

- \$25,000 minimum and are structured as self insured retentions.
- The SIR only applies in the event the underlying design professional's professional liability policy is impaired or exhausted.

PREMIUMS

Typical premiums begin around \$25,000 for the \$1,000,000 per loss / \$1,000,000 aggregate limit of liability.

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