

EXECUTIVE SUMMARY

RT Specialty, LLC (RT) was tasked by Broker to secure alternatives to A Environmental's combined Contractors Professional ("CPL") and Pollution Liability ("PL") program for Company, Ltd.

Based in Location, Company is an electrical/power engineering/construction company comprised primarily of three companies - 1, 2 and 3. All entities provide engineering and construction services within the realm of electrical and power distribution. 2017 revenues are estimated to be around \$200,000,000. Design-build accounts for approximately 10% of total revenue with At-Risk Construction Management accounting for about 5%. The balance is mostly general contracting. They have experienced two minor pollution related claims over the past 5 years and no professional liability claims.

Company is currently insured with Carrier A on a combined CPL/CPL program:

\$5,000,000 per claim/\$10,000,000 aggregate

\$5,000,000 per claim/aggregate submit
\$2,000,000 per claim/aggregate submit

\$25,000 per claim SIR
\$125,000 premium
11/07 retroactive date on CPL and mold liability

To provide alternatives to the Carrier A program, RT results can be found in the Recommendations section Carrier B program:

CPL - claims made
CPL - Occurrence with claims made mold liability
\$5,000,000 per claim/\$10,000,000 aggregate

\$5,000,000 per claim/aggregate submit

\$75,000 per claim/\$225,000 aggregate deduct
\$95,267 premium

Retroactive dates:

Coverage A - Protective: 12/31/11
Coverage B - Professional Liability: 11/01
Pollution Legal Liability: 11/12
Mold Coverage: 11/06
Mitigation of Damage: 12/31/11

This proposal will expire on November 1, 2019.

NOTE:

RECOMMENDATION

Carrier C

RT Specialty, LLC (RT) recommends Company, Ltd. purchase the Carrier A program for the following reasons:

- B does not apply sub-limits to the mold liability coverage under any of the coverage parts. C applies a \$2,000,000 sub-limit.
- B offered protective coverage - separate from professional liability coverage (third party claims) protective coverage is a first party coverage but indemnifies the named insured for costs 1 hour, excess of the design professional's professional liability insurance, that the named insured is legally entitled to recover, "as a result of negligent acts, errors and omissions committed by design professionals under contract with the named insured. C does not offer such coverage. A offered but applied a \$250,000 SIR. In addition, under the A program if the design professional does not evidence \$1,000,000 in professional liability limits it voids coverage. Lastly, A just began offering this coverage 3-4 months ago.
- B offered mitigation of loss (MOL) coverage - separate from professional liability coverage (third party claims) mitigation of loss provides coverage for costs incurred by the named insured to rectify design issues discovered during the course of construction that would otherwise result in professional liability claims. First, it corrects. They apply a supplemental limit of \$250,000 per claim/aggregate. C does not offer such coverage. A offered a \$500,000 sub-limit but it reduces the overall limit under the program.
- B provided an earlier retroactive date of 11/16 on the claims made portion of coverage (except for MOL and protective) to coincide with the inception of the company. C and W apply a 11/07 retroactive date.
- B offered the program with a higher SIR of \$75,000 but also added an aggregate SIR of \$225,000 with a drop down on each claim thereafter of \$25,000.
- B offered a much broader definition of professional services than both C and A.
- B offered a broader definition of contracting operations.
- B offered Building Information Modeling (BIM) Extra Expense coverage with a supplemental limit of \$50,000. This coverage provides the insured for any and all reasonable and necessary additional expense arising from loss of or damage to any information due to inherent malfunction of any software used in connection with any Building Information Modeling system. C and A do not.
- B makes an exception in their faulty work exclusion for professional services. This allows coverage for the cost to replace or repair faulty work that the insured failed to identify during the course of providing professional services (i.e. construction management). W did not.
- A applies a hammer clause - discounting defense in the event the insured refuses to settle. B does not have such a clause.
- Even with all the above enhancements, B is still approximately \$40,000 less than C.

The one point that should be made is that C and B offer a \$25,000 SIR on their program. However, the types of coverage being purchased are catastrophic in nature and a program should be structured accordingly - higher limits, broader coverage and higher retentions (since the frequency of claims are low under these insurance coverages). For these reasons RT believes the B program is the optimal program. Furthermore, the reduced premium under the B program offsets the cost of taking a higher SIR.

As for the A program, the only substantive benefit is they offered to convert the claims made mold liability coverage under the CPL coverage part to occurrence with a nose endorsement for prior claims made coverage. This is easily mitigated by ensuring this type of coverage will be a permanent part of Company's overall insurance program.

PROGRAM SUMMARY

Description	Carrier A	Carrier C	Carrier B
Commission to Retail Broker	10%	10%	10%
Policy Term	Annual	Annual	Annual
Policy Limit Options	Policy Aggregate: \$10,000,000 Coverage A - Professional Liability Coverage A1-Professional Loss: \$5,000,000 per claim/\$10,000,000 aggregate Coverage A2-Mitigation Expense - \$500,000 per claim/aggregate Coverage A3 - Protective - \$5,000,000 per claim/aggregate	\$4,000,000 each claim/10,000,000 aggregate Via endorsement: <ul style="list-style-type: none">• Subject to the Insured's Premiums Plus/ret coverage of \$1,000,000 per loss/aggregate; \$5,000,000 Sublimit on professional liability; \$5,000,000 aggregate for total loss.	