



# Integrated Project Delivery (IPD) 101: An Introduction



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## Presented by



**Dennis M. Baez**  
Senior Vice President

- 25+ years of experience as a professional liability broker
- Responsible for underwriting primary and excess business within the retail and wholesale insurance communities, fostering strong broker relationships and achieving profitable growth for Berkley Construction Professional's contractors and Owners professional liability portfolio
- Licensed insurance agent in California and New York



**Courtney Preston, CRIS**  
Assistant Vice President

- 10+ years of underwriting experience in construction
- Provides professional and pollution insurance solutions for construction firms and project owners on all project types – from small to large and complex on an annual or project basis
- Has participated in numerous construction conferences, including those focused on IPD and LEAN methodologies
- Graduated from the University of Georgia

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## Presentation Outline

- |  |   |
|--|---|
| <ol style="list-style-type: none"> <li>1. What is IPD ?</li> <li>2. Basic Underwriting Criteria</li> <li>3. BCP Policy – The Brass Tacks</li> <li>4. Let’s Recap</li> <li>5. Why Berkley Construction Professional</li> <li>6. Frequently Asked Questions</li> </ol> | <p><i>APPENDICES</i></p> <ul style="list-style-type: none"> <li>• IPD Key Terms</li> <li>• BCP Integrated Project Delivery Coverage Overview</li> <li>• BCP IPD Liability Policy</li> <li>• BCP Integrated Project Delivery Application</li> <li>• BCP website</li> </ul> |
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## 1. What is IPD?

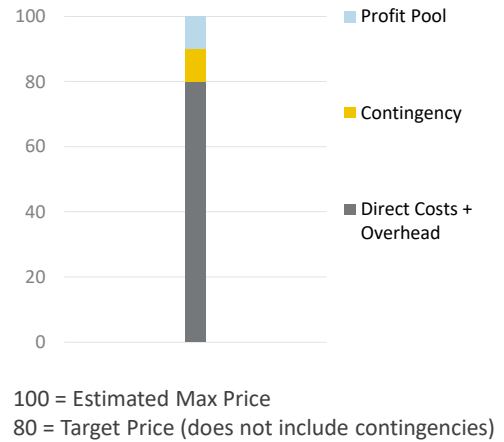
- A project delivery method that provides an alternative approach to other traditional methods
- A single, multi-party contract such as the Integrated Form of Agreement (IFoA) where owners, designers, and contractors are all named insureds with shared risks, rewards and a waiver of liability
- A delivery method based on a culture of full transparency, construction team collaboration and improved efficiency
- Incentive is to deliver the best project possible and maximize the at-risk profit pool by collaboration and to eliminate the intra-party litigation

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# 1. What is IPD?

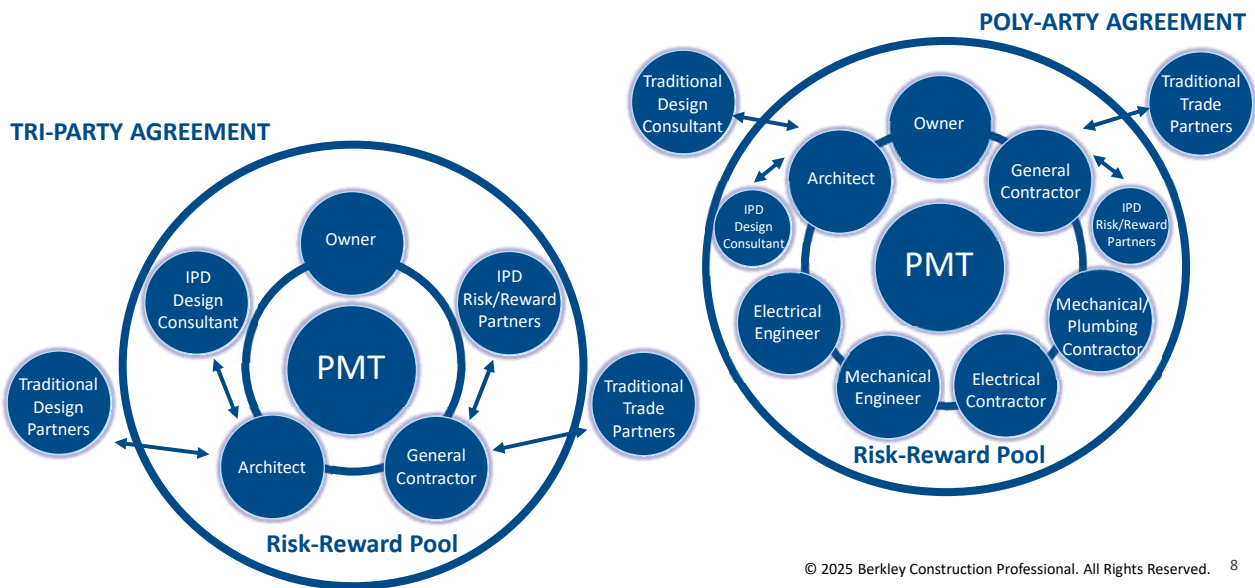
- No fixed price or guaranteed maximum price (GMP)
- The contract value is referred to as an estimated maximum contract price including the sum of the cost of work (including overhead), contingencies and profit
- Costs that increase above the project's Direct Costs + Overhead will be reimbursed from the project's budgeted Contingencies and then from the Profit Pool
- Contingencies and profit pool amounts are determined by mutual agreement of the IPD team which includes the Owner



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# 1. Two Different Contractual Models



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## 2. Basic Underwriting Criteria

- There can be several variations of IPD, but for a project delivery to be considered a true IPD your submission **MUST** include these three items:

**MUST** Have a multi-party contract between Owner and other IPD Team members such as the Integrated Form of Agreement (IFoA); and

**MUST** Include a provision for a Waiver of Liability; and

**MUST** Include a provision for Risk and Reward Incentives

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## 2. Basic Underwriting Criteria (Continued)

- Identify the target cost (direct construction costs + overhead + design fees), contingencies, and at-risk profit pool
- The sum of these is also referred to as the estimated maximum contract price



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### 3. Coverage – The Brass Tacks

POLICY FORM	PERFORM-10001 (11-20) Contractor’s Protective, Professional, Pollution, Cyber, Media and Mitigation Response Claims Made and Reported	IPD-10001 (06-24) IPD Team Protective, Professional, and Indemnification Loss Claims Made and Reported
INSURED	CONTRACTOR	IPD TEAM MEMBERS - Owner, Architect, Contractor
<b>INSURING AGREEMENTS</b>		
Protective Indemnity	Coverage for claims arising out of a negligent act, error, or omission in the rendering of or failure to render Professional Services by <b>Responsible Entities retained by the Insured contractor</b> . SIR not applicable.	Coverage for claims arising out of a negligent act, error, or omission in the rendering of or failure to render Professional Services by <b>Other Design Professionals</b> . SIR not applicable.
Professional Liability	Coverage for claims arising out of an actual or alleged negligent act, error, or omission in the rendering of or failure to render Professional Services by the Insured itself or by a Responsible Entity that the Insured is legally responsible.	Same <b>and because there is no I .v. I exclusion, it also allows claims by the project owner against the IPD Team</b> contingent that: 1. the waiver of liability provision has expired; and 2. the risk/reward incentive has been finally distributed.
Contractor Pollution Liability	Available in policy.	Not available.
Cyber Liability	Available in policy.	Not available.
Media and Personal Injury	Available in policy.	Not available.

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### 3. Coverage – The Brass Tacks

POLICY FORM	PERFORM-10001 (11-20) Contractor’s Protective, Professional, Pollution, Cyber, Media and Mitigation Response	IPD-10001 (06-24) IPD Team Protective, Professional, and Indemnification Loss
<b>INSURING AGREEMENTS</b>		
Mitigation / Indemnification Loss	<p><b>MITIGATION</b> Coverage for reasonable and necessary fees or direct costs incurred to mitigate or rectify <b>Professional Services that would reasonably be expected to give rise to a Claim but has not yet been made</b> and subject to our prior written consent.</p> <p>NOTE: Generally other carriers wording is more restrictive as their forms have an exclusion to rectification for overhead and profit.</p> <p>Coverage does not include fees or costs associated with project betterment or failure to prevent/detect faulty workmanship.</p>	<p><b>INDEMNIFICATION LOSS</b> Coverage for change order amounts made from the At-Risk Profit Pool for reasonable and necessary <b>correction of work attributable to a negligent act, error, or omission in the rendering of or failure to render Professional Services</b> by the Insured <b>or any entity for whom they are legally responsible. i.e., a Claim must still arise.</b></p> <p><u>Also, I v. I claims are permitted (not excluded).</u></p> <p>Coverage does not include liquidated damages, fines, taxes, penalties or costs associated with project betterment, added scope of work or increased material or labor costs.</p>

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### 3. Coverage – The Brass Tacks

POLICY FORM	PERFORM-10001 (11-20) Contractor’s Protective, Professional, Pollution, Cyber, Media and Mitigation Response	IPD-10001 (06-24) IPD Team Protective, Professional, and Indemnification Loss
<b>KEY DEFINITIONS</b>		
At-Risk Profit Pool	Not applicable.	Means the amount stated as such in the IPD Agreement.
Claim	Means Professional Claim, Pollution Claim, Cyber Claim, and Media and Personal Injury Claim.	Means Protective Claim, Professional Claim and request to us for payment of Indemnification Loss.
Contingencies	Not applicable.	Means the amounts stated in the IPD Agreement (or for Project Contingency costs. These are separate from both the Target Cost and the At-Risk Profit Pool.
Cost Savings	Not applicable.	<b>Savings in the total cost of the Project that arise from LEAN techniques, and which allow the IPD Team to offset the amounts paid from the At-Risk Profit Pool.</b>
First-Party Claim / Protective Claim	First Party Claim means a Protective Claim. Means written demand or a suit initiated by the Insured against a Responsible Entity arising from a negligent act, error, or omission in the rendering of or failure to render Professional Services.	Protective Claim means a written demand or suit initiated by the Insured against the Other Design Professional alleging liability on the Other Design Professional’s part for the Insured’s Protective Loss.

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### 3. Coverage – The Brass Tacks

POLICY FORM	PERFORM-10001 (11-20) Contractor’s Protective, Professional, Pollution, Cyber, Media and Mitigation Response	IPD-10001 (06-24) IPD Team Protective, Professional, and Indemnification Loss
<b>KEY DEFINITIONS</b>		
Responsible Entity / Other Design Professional	<b>RESPONSIBLE ENTITY</b> Those entities retained by the Insured and rendering Professional Services on the Insured’s behalf.	<b>OTHER DESIGN PROFESSIONAL</b> Those entities not members of the IPD Team and rendering Professional Services for the project.
Professional Services	The most affirmative in the market as per Section IV. Definitions HH. as respects description of Covered Professional Services	Means professional services provided in the course of delivering the Project in the capacity as an architect, engineer, landscape architect, planner, interior or space designer, construction manager, and any other related design services, such as design-assist by a contractor, or either the use of systems (including Building Information Modeling) or ordinary technology services (such as the design, development, programming, analysis, training, use, hosting, management, support, and maintenance of any software, database, internet service, or website) for the performance of such services and your management of the work.

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### 3. Coverage – The Brass Tacks

POLICY FORM	PERFORM-10001 (11-20) Contractor’s Protective, Professional, Pollution, Cyber, Media and Mitigation Response	IPD-10001 (06-24) IPD Team Protective, Professional, and Indemnification Loss
<b>KEY EXCLUSIONS</b>		
Insured v. Insured	Arising out of First Party Claims or Claims made by any Insured against any other Insured.	Arising out of any Claims made by an Insured against any other Insured EXCEPT: 1. as part of an Indemnification Loss; or 2. a Professional Claim by the Project Owner against another IPD Team member but only after the end of the warranty period.

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### 4. Let’s Recap

<b>Owners</b>	<b>Contractors</b>	<b>Design Professionals</b>
<p><i>(Cost Certainty + Fewer Surprises + Higher ROI)</i></p> <ul style="list-style-type: none"> <li>Reliable budgets earlier, reduced claims and disputes, and better performing asset – not just a lower bid</li> </ul>	<p><i>(Shared Risk + Smoother Construction + Stronger Relationships)</i></p> <ul style="list-style-type: none"> <li>Minimized exposure to design risks, fewer field issues through early collaboration, and performance-based profit, not just low bids</li> </ul>	<p><i>(Influence + Design Integrity + Lower Liability)</i></p> <ul style="list-style-type: none"> <li>Bigger role in project leadership, designs that stay true through construction, and reduced chance of being blamed for issues</li> </ul>

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## 5. Why Berkley Construction Professional?

- ✓ A stand-alone policy written specifically for true IPD projects – the industry’s first
- ✓ Comprehensive risk protection and seamless alignment with the IPD contract’s waiver of liability
- ✓ No more restrictive rectification wording in traditional Contractor PL policies:
  - No overhead and profit exclusion
  - Other exclusions not included
- ✓ BCP is solely dedicated to serving the professional and pollution liability insurance needs of the construction industry



<https://berkeleycp.com/risk-management>

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## 5. Why Berkley Construction Professional?

**Example of an IPD Final Budget Report & How SIR Applies for Indemnification Loss\***

Target Project Cost	\$250,000,000	
Contingencies disbursed by Senior Management Team	\$ 5,000,000	This is 100% of Contingencies.**
At-Risk Profit Pool disbursed by Senior Management Team	\$ 10,000,000	Total At-Risk Profit Pool \$25,000,000.
<b>Final Total Project Cost</b>	<b>\$265,000,000</b>	
Project Escalation Costs (not insurable, indemnified by Owner)	\$ 1,000,000	Project Escalations are not reimbursable from At-Risk Profit Pool.
Total At Risk Profit Pool reductions from covered Indemnification Loss	\$ 10,000,000	25% of Total At-Risk Profit Pool.
SIR for Indemnification Loss	\$ 6,250,000	
Incurred amount of Indemnification Loss (exceeding SIR) insured by policy	\$ 3,750,000	

\*Dollar amounts, figures are for illustrative purposes only.  
 \*\*100% of Contingencies must be disbursed before access to At-Risk Profit Pool.

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## 6. Frequently Asked Questions

### Question

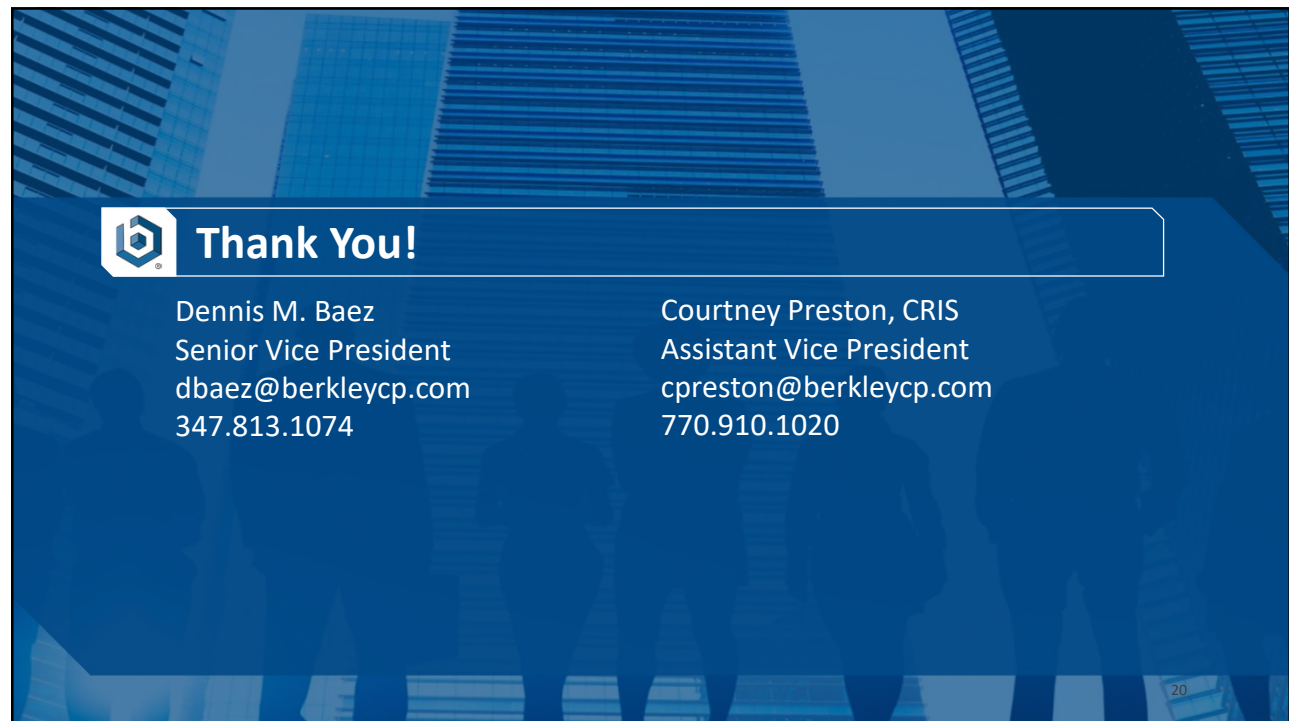
1. Who is responsible for project costs when they exceed the estimated max price?
2. When does the waiver of liability expire? Is it specific per project / contract?
3. Are the At-Risk Profit Pool disbursements always final after project completion (i.e., no claw back)?
4. Who is responsible for the Indemnification Loss SIR?
5. Does the Owner also receive a portion of the Profit Pool disbursement post-project completion ?
6. Which SIR is higher – Professional Liability (3<sup>rd</sup> Party) or Indemnification Loss?
7. Who are the IPD team members?


### Answer

- The Owner remains responsible for paying hard costs and overhead
- Generally, project completion but specific to each contract
- Yes
- SIR represents the attachment point for BCP to Indemnify for reductions in the at-risk profit pool in excess of this amount
- No – the Owner pays out the profit pool to IPD team
- Indemnification Loss
- Owner, Architect and General Contractor but usually includes the Prime sub-consultants and trade partners

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## Appendix A – IPD Key Terms

<p><b>At-Risk Profit Pool:</b> The “profit” portion of the compensation for the IPD Team members that the SMT has authority to disburse. NOTE: This does NOT include direct (actual) costs or overhead.</p>	<p><b>Big Room:</b> This is where the project validation process establishes the Target Value Design, Target Cost, Contingencies, escalations and At-Risk Profit Pool. The IPD Team participates in an iterative process meeting multiple times each month during pre-construction and construction.</p>	<p><b>Contingencies:</b> Amount budgeted for design and related issues that may arise that the Senior Management Team (SMT) has authority to disburse.</p> <p>NOTE: This does NOT include owner-initiated increases in project scope.</p>	<p><b>Direct (Actual) Costs:</b> The hard cost to sub out or self-perform a particular project or project scope.</p>
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## Appendix A – IPD Key Terms

<p><b>Escalation Costs:</b> Non-professional cost increases such as for diesel fuel, material costs (lumber, steel and cement), or other items that are become part of the building or infrastructure (HVAC systems, electrical equipment, roofing systems, windows and building envelope systems). Generally, increases in these costs are passed along to the project owner, especially in IPD delivery.</p>	<p><b>Estimated Maximum Price (also referred to as Total Contract Price):</b> The Target Cost plus Contingencies plus the At-Risk Profit Pool.</p>	<p><b>Overhead Costs:</b> The costs “loaded” onto price terms to cover the contractors’ overhead (costs not directly tied to the project such as executive salaries, leases on buildings or premises occupied by the contractor including offices, warehouses and equipment yards), and other costs; these usually appear in construction budgets as a line item “General Conditions and Requirements’, which also includes the costs of project managers and other supervisors. Contractors always pass along these costs on every job.</p>
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## Appendix A – IPD Key Terms

<p><b>Project Validation:</b> Project validation demonstrates whether the team can deliver a project to the owner’s business case and scope within the allowable budget and schedule</p>	<p><b>Pull Planning:</b> A construction scheduling technique that involves establishing project milestones and then working backward to outline steps to achieve them, characterized by a backward timeline and strong collaboration</p>	<p><b>Senior Management Team (SMT):</b> Has the authority to make important decisions, including changes to the project. The SMT has one representative from the project Owner, Prime Architect and Contractor.</p>
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## Appendix A – IPD Key Terms

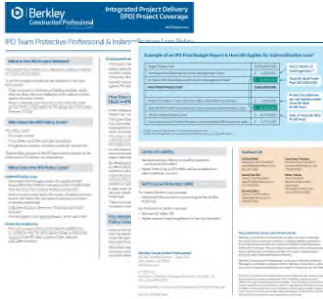
<p><b>Target Costs:</b> Amount to complete the project to Target Value Design including actual costs to be paid and overhead to the IPD Team (does not include contingencies and the At-Risk Profit Pool)</p>	<p><b>Target Value Design:</b> A management practice that drives the design and construction to deliver customer values within project constraints</p>	<p><b>Waiver of Liability:</b> A contractual clause where one party agrees to release another party from legal responsibility for damages or injuries, essentially stating that they will not sue the other party for potential harm.</p>
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# Appendices B,C, and D

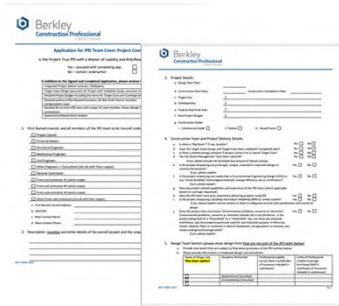
## Appendix B – BCP IPD Coverage Overview



## Appendix C – BCP IPD Liability Policy



## Appendix D – BCP IPD Application



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