Integrated Project Delivery: What You Need to Know as a Broker

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If you're an insurance broker working with construction clients, you've probably heard the buzz around Integrated Project Delivery, or IPD. But what exactly is it, and why does it matter for insurance?

What is IPD?

IPD is a project delivery method that flips the script on traditional construction models like design-build or design-bid-build. Instead of working separately, the project owner, designer and contractor all sign a single, multi-party contract called an Integrated Form of Agreement (IFoA). They share the project risk and reward, and the stakeholders share goals, decision-making, and accountability, which fosters trust and teamwork not only in the field, but also in a claim setting.

From day one, the core team collaborates to co-design, plan and run the project together. They put their profits at risk, creating a powerful incentive to deliver projects efficiently, solve problems collectively and deliver the best possible outcome.

The contract is based on an estimated maximum price, not a fixed or guaranteed one. This includes the cost of work, overhead, contingencies and a shared at-risk profit pool. If costs increase, they're first covered by contingencies and then by the profit pool, meaning everyone has an incentive to keep the project on schedule.

When IPD functions effectively, everyone benefits:

- Owners gain increased cost certainty and fewer surprises.
- Contractors experience smoother construction processes and performance-based profits.
- Designers uphold design integrity and lower liability exposure.

For brokers, IPD changes the game. It's not just a different contract; it's a different culture. Understanding how risk is shared, how profits are pooled and how liability is managed between parties helps you better assess exposures and recommend coverage that truly fits.

Why traditional CPL policies fall short

Most professional liability policies for contractors, including Berkley Construction Professionals' PERFORM policy, are not built for IPD. That's why we created a standalone IPD policy that aligns directly with the contractual structure and risk-sharing characteristics of true IPD projects.

Here are just some of the ways the two policies are different:

Protective indemnity: In both policies, this coverage applies to claims brought by the insured against a design professional. The PERFORM policy is designed for a more traditional, siloed setup — typically a contractor making a claim against a third-party consultant. In contrast, our IPD policy is built for integrated teams and allows for claims within the project team itself (after certain conditions expire), without disrupting the collaborative nature of the IPD model.

Professional liability: Traditional professional liability policies for contractors often include strict "insured vs. insured" exclusions, which can block valid claims once the project wraps up. Our IPD policy removes this exclusion in specific circumstances. For example, it would enable an owner to bring a claim against another team member after certain conditions expire and the profit pool is distributed. This ensures the policy remains functional and responsive throughout the full lifecycle of the project.

Cyber, pollution and media liability: These coverages are included in professional liability policies for contractors, like PERFORM, because they're often needed on conventional projects. However, in IPD, these risks are typically handled by each firm's own insurance. Including them in an IPD policy can lead to redundant coverage and higher premiums.

Mitigation and indemnification loss: PERFORM offers mitigation coverage that allows insurers to step in and fix a problem before it becomes a claim. This is subject to prior consent and often excludes overhead and profit. Although it's useful in conventional settings, this approach doesn't align with IPD's shared-risk model. Our IPD policy takes a different route: It provides indemnification coverage for corrective work paid from the at-risk profit pool, but only when tied to a negligent act and a formal claim. Like our mitigation coverage, it excludes overhead and profit costs, reinforcing accountability while supporting the team's incentive structure and preserving the collaborative spirit of IPD.

Case study: How IPD insurance works

Here's a real-world example of how IPD insurance supports this construction model:

A large-scale IPD project with a target cost of $250 million experienced a costly professional error related to COVID-era challenges. As the project progressed, the senior management team disbursed $5 million in contingencies and $10 million from the at-risk profit pool. By completion, the final project cost had reached $265 million, exceeding the original target by $15 million.

Of that overage, $1 million was attributed to project escalation costs, which are non-insurable expenses paid directly by the owner. The remaining $14 million included a significant indemnification loss, of which $6.25 million was deemed a covered loss under the IPD insurance policy.

Before the policy could respond, the team had to meet their $2.5 million self-insured retention (SIR), which was absorbed internally, reducing the at-risk profit pool. Once the SIR threshold was met, the insurer reimbursed the remaining $3.75 million, effectively restoring a portion of the profit pool.

This shows how the IPD insurance policy supports the shared risk model. By stepping in after the SIR is met, the insurance provider helps stabilize the project's financial structure, ensuring that collaborative risk-sharing remains feasible even when costly errors occur.

Why Berkley Construction Professional?

At Berkley Construction Professional, we didn't just adjust a professional liability policy for contractors to accommodate IPD projects; we developed an entirely new policy. This policy aligns seamlessly with the structure and intent of IPD contracts, without restrictive exclusions or retrofitted language. It provides comprehensive, purpose-built protection for collaborative construction.

Learn more about our professional liability coverage for IPD projects here.

About the Authors

Dennis Baez has more than 20 years of experience as a professional liability broker. During that time, he has worked with design firms, contractors, project owners and developers providing advisory and brokerage services for various practice and project professional liability programs. Dennis is 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. Dennis is a licensed insurance agent in California and New York. He holds a Bachelor of Science degree in Finance from the New York Institute of Technology (NYIT) in New York City. Dennis is based in New York City and can be reached at dbaez@berkleycp.com.

Courtney Preston has more than 10 years of underwriting experience in the construction sector. She 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. She's well-versed in providing coverage for several types of project delivery methods, including design-build and integrated project delivery (IPD). Previously, Courtney worked in various construction underwriting roles for leading commercial casualty insurance carriers. Courtney holds a bachelor's degree from the University of Georgia, in Athens, Georgia. She is based in Atlanta, Georgia and can be reached at cpreston@berkleycp.com.

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