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Integrated Project Delivery (IPD) Project Coverage

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IPD Team Protective Professional & Indemnification Loss Policy

What is the IPD Project Method?

Integrated Project Delivery is a collaborative delivery method for construction projects.

"True" IPD projects include two key elements in the main IPD contract:

- There is a waiver or limitation of liability provision, which does not allow claims at negligence to be made by entities against the other entities
- There is a Risk/Reward Incentive pool so that the profit portion of the compensation for the design and construction firms are "At Risk"

Who Does the IPD Policy Cover?

The policy covers:

- The project owner
- The architect and other principal consultants
- The general contractor and other prime sub-contractors

These entities are part of the IPD team and are a party to the multi-party IPD contract, as noted above

What Does the IPD Policy Cover?

Indemnification Loss

- Indemnifies the IPD team excess of a significant Self-Insured Retention (SIR) for reductions to the At-Risk Profit Pool that arise from covered Professional Services
- Claims must be made before the waiver of liability provision expires and before the risk/reward incentive structure is irrevocably distributed
- Unlike Rectification, there is no "Overhead and Profit" exclusion
- The SIR applies on an aggregate basis, not on each claim

Protective Indemnity

- First-party excess professional indemnity (Difference-in-conditions, DIC), for claims against design professionals not part of the IPD team, excess of their valid and collectible insurance

Professional Liability

- Third-party negligent act, error or omission
- Allows claims by project owner after waiver of liability provision expires and risk/reward incentive structure is irrevocably distributed
- Insured v Insured exclusion deleted to allow owner claims against IPD team

How Does Indemnification Loss Coverage Work in IPD?

- In this collaborative approach, the owner funds the Target Cost, Contingencies and the At-Risk Profit Pool
- The Senior Management Team, consisting of representatives from the owner, architect, and General Contractor, is empowered to allocate funds from the owner if issues cause the project to exceed the Target Cost
- The owner is still responsible for paying for hard costs and overhead, even if the project's total cost exceeds the total of the Target Cost, Contingencies and the At-Risk Profit Pool
- For IPD team members, the risk of having the At-Risk Profit Pool substantially reduced or exhausted could significantly impact their balance sheet and earnings
- By obtaining insurance to protect against a reduction in the At-Risk Profit Pool, each firm can ensure that its financial exposure is limited to a manageable level
- Indemnification Loss allows them to obtain coverage for the amount of the reduction in the At-Risk Profit Pool that exceeds an agreed-upon amount
- A claim must still arise from their delivery of Professional Services, which increased costs that reduced the At-Risk Profit Pool
- There is no coverage for non-professional issues, such as increases in material or labor costs

Key Advantages to Purchasing a Project Policy Using Indemnification Loss

- Using an IPD-specific policy, IPD team members can retain their top talent and support the overall collaborative effort of the IPD team members to respond to challenges, ensuring the project's success
- When both owners and IPD team members are assured that insurance can help mitigate the risks, they'll be confident to use IPD to deliver their projects

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
At-Risk Profit Pool disbursed by Senior Management Team	$ 10,000,000
Final Total Project Cost	**$265,000,000**
Project Escalation Costs (not insurable, indemnified by Owner)	$ 1,000,000
Total At Risk Profit Pool reductions from covered Indemnification Loss	$ 10,000,000
SIR for Indemnification Loss	$ 6,250,000
Incurred amount of Indemnification Loss (exceeding SIR) insured by policy	$ 3,750,000

This is 100% of Contingencies.**

Total At-Risk Profit Pool $25,000,000.

Project Escalations are not reimbursable from At-Risk Profit Pool.

25% of Total At-Risk Profit Pool.

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

Limits of Liability

- Standard primary offering on qualifying projects:
  - Limits up to $10 million
- Higher limits of up to $25 million will be considered on select qualifying accounts

Self Insured Retention (SIR)

For Indemnification Loss coverage:

- Substantial SIRs are tied to a percentage of the At-Risk Profit Pool

For Professional Liability coverage:

- Minimum $1 million SIR
- Higher amounts may be applied on a case-by-case basis

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