

Contractors Professional Protective Insurance

COVERAGE APPLICATION:

Contractors Professional Protective Insurance (CPPI) was created for construction firms, to offer a cost-effective financing solution for third-party professional liability, as well as first-party damages from subcontracted design or professional services.

CPPI can provide necessary protection against a construction firm's professional activities from design/build projects, in-house design services, subcontracted design services or professional liability associated with "at-risk" construction management. In addition, CPPI can be structured to address areas of environmental risk, job site operations, transportation of waste/materials, disposal activities and owned/leased properties.

POLICY FORMS:

This policy provides coverage for damages as a result of acts, errors and omissions in professional services performed by or on behalf of the named insured. Coverage is provided for both direct and vicarious professional liability. CPPI is offered on a claims-made basis.

CPPI's unique feature is its first-party "protective" coverage. This is a key enhancement for those construction firms providing design/build services and subcontracting the professional services to design professionals. The "protective" provides first-party indemnity for damages the named insured incurs in excess of the underlying design professional's professional liability policy. Typically, for the protective to be offered, the prime design professional must carry a minimum of \$1,000,000 insurance.

CPPI can be written on a project specific basis or practice/blanket basis.

PROGRAM HIGHLIGHTS:

- External financing mechanism for both professional and environmental losses, rather than the cost being incurred by the named insured.
- Provides coverage for defense costs from both owners and third parties. With both professional and environmental liability, defense costs alone can be catastrophic.
- Different insuring agreements for each coverage part, providing flexibility with limits, retentions and coverage grants.
- Fulfill contractual obligations that require both professional and pollution liability coverage in a cost-effective manner.
- Underwriting process assists the contractor in managing both professional and environmental liability risk.
- The key advantage of CPPI is that it supplements the available professional liability insurance provided by the design professional.
- The SIR only applies in the event the underlying design professional's coverage is impaired or limits are exhausted. The SIR does not apply when the design professional's underlying professional liability policy is unimpaired or limits are intact.
- CPPI 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 instances where this may apply include mold, construction management, and habitational exclusions.
- Reduces potential adversarial relationships with design professionals.
- Creates a competitive advantage when the benefits of such coverage are properly conveyed to the owner.
- Mold liability coverage can be included.
- Pollution arising from transportation performed by or on behalf of the named insured for losses arising from materials/waste transported or collisions.
- Non-owned disposal site coverage (for clean up or liability arising from a designated disposal site) can be provided.
- Punitive damages (where allowable by law) can be provided. In cases involving environmental claims – especially mold– punitive damages coverage may be an extremely crucial coverage enhancement.

POLICY TERM:

- Practice or Blanket Policy (meaning all operations performed by the named insured) is typically offered on an annual basis.
- Project policies can be offered up to 10 years. Longer terms may be negotiated on an individual basis.

MARKET OVERVIEW:

Today there are very few carriers willing to offer various forms of CPPI coverage. Appetite varies dramatically. CPPI currently represents nearly 30% of the professional liability marketplace. Each carrier offers their own manuscripted policy; review each form for accuracy.

LIMITS OF LIABILITY:

- \$50,000,000 per loss/\$50,000,000 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.

- CPPI carriers offer both self insured retentions and deductibles. Typically deductibles have to be negotiated prior to policy inception.

PREMIUMS:

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

INFORMATION NEEDED

FOR INDICATION:

- Construction Services Application or
- Construction Services – Project Application

The above profile is only a brief overview of the product referenced. The information contained above has been provided by New Day Underwriting Managers LLC, for general discussion purposes about the referenced insurance coverage. The information is not offered for the purpose of providing exact coverage terms or conditions. The policy should be reviewed to understand all coverage terms and conditions.



New Day Underwriting Managers LLC
33 Third Street, Suite 201, Bordentown, NJ 08505
Toll Free: 877 NDU-8008 • Tel: 609 298-3516
Fax: 609 298-6254 www.newdayunderwriting.com

