

# Contractors Professional and Pollution Liability

## COVERAGE APPLICATION:

Contractors Professional and Pollution Liability was created to offer a cost-effective financing solution to those contracting firms that possess both professional liability and environmental liability exposures. Rather than purchasing two separate policies, this combined form offers the ease of providing both coverages without the issues of two premiums and two retentions.

Whether it's from design/build projects, in-house design services, subcontracted design services or professional liability associated with "at-risk" construction management, the professional liability coverage part can provide necessary protection against a construction firm's professional activities. In addition, all contractors face environmental liability, specifically in four major areas: job site operations, transportation of waste/materials, disposal activities and owned/leased properties. Contractors Professional and Pollution Liability coverages can be structured to address each of these areas of environmental risk.

The Contractors Professional and Pollution Liability policy can be used for both environmental and non-environmental firms. Whether for environmental companies that perform environmental or remedial contracting or non-environmental contractors, such as general contractors, design/build firms or artisan contractors performing incidental design services, Contractors Professional and Pollution Liability is a viable and cost effective alternative to help finance the company's professional and environmental liability losses.

## POLICY FORMS:

This policy provides coverage for direct and vicarious professional and pollution liability arising out of services performed by or on behalf of the named insured. Coverage is provided for damages arising from acts, errors, omissions and pollution conditions arising from professional services and/or contracting operations. Typically there are different insuring agreements for the professional liability coverage part, which is claims-made, and contractors pollution, which can be either claims-made or occurrence.

Some Contractors Professional and Pollution Liability products also offer a first-party "protective" coverage. This coverage part is a key enhancement to 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, a minimum of \$1,000,000 insurance requirement is placed upon the prime design professional for the protective to be offered.

The Contractors Professional and Pollution Liability can be written on a project specific basis or practice/blanket basis.

## PROGRAM HIGHLIGHTS:

- Cost effective solution to purchasing separate professional and pollution liability policies.
- External financing mechanism for both professional and environmental losses rather than the cost being incurred by the named insured.
- The Contractors Professional and Pollution Liability 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 coverages in a more cost-effective manner than two separate policies.
- Underwriting process assists the contractor in managing both professional and environmental liability risk.
- Positive perception in the industry and community where work is being conducted.
- Creates a competitive advantage when the benefits of such coverage are properly conveyed to the owner.
- Mold liability coverage can be included under both coverage parts, as well as under the "protective" forms.
- 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.
- Premises pollution coverage for owned, leased or rented properties (maintenance shops, batch plants, quarries, landfills, office buildings, etc) 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.

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**MARKET OVERVIEW:**

Today there are approximately 10 carriers willing to offer various forms of Contractors Professional and Pollution Liability coverage. Carrier appetite varies dramatically. For example, one carrier may only offer Contractors Professional and Pollution Liability to environmental firms while another only offers it to construction managers, design/build firms and other non-environmental firms. Contractors Professional and Pollution Liability currently represents nearly 50% of the professional liability marketplace. Each carrier offers their own manuscripted policy so careful attention must be given in reviewing each form for accuracy.

**LIMITS OF LIABILITY:**

- \$150,000,000 per loss/\$150,000,000 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:**

- \$5,000 minimum.
- Contractors Professional and Pollution Liability carriers offer both self insured retentions and deductibles. Typically deductibles have to be negotiated prior to policy inception.

**PREMIUMS:**

- Typical premiums begin around \$10,000 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.

