



New innovative insurance product for the Danish construction industry

PI+ is a new, affordable insurance product that gives developers the financial security to opt out of expensive project liability insurance.

By Martin Wex

Faulty advice in building and construction projects can have far-reaching consequences for the parties involved. Not least for the developer. The financial risk is handled either through the consultant's own ongoing professional indemnity insurance or through project liability insurance, which is typically taken out by the developer to cover the project in question.

Historically, many developers have preferred to take out project liability insurance because the consultant's ongoing professional indemnity insurance does not provide developers with the financial security they need.

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Lene Pedersen

Practice Lead for PI & Claims, WTW

»Project liability insurance is under pressure from many claims and large damages, and this has caused the relatively few insurance companies that still offer the product to increase both deductibles and premiums so much that more and more developers are opting out,« says Practice Lead for PI & Claims Lene Pedersen from WTW.

Insufficient insurance

Today, it is not uncommon to pay 10-15 percent or even more of the consultant's fee in premium for project liability insurance, and according to Lene Pedersen, this is not a sustainable level for the construction industry. Many building and construction projects are therefore currently only insured through the consultant's ongoing professional indemnity insurance.

»The problem with ongoing professional indemnity insurance is that the sum insured is often limited and must cover all the consultant's activities. Therefore, the insurance may be burdened by claims from other construction projects, so the remaining sum may not be large enough to cover the developer's loss – and this leaves the developer with significant, unwanted exposure,« says Lene Pedersen, pointing out that in

the worst-case scenario, the consultant may have gone out of business, leaving the developer with no cover at all.

Broader coverage

This problem has prompted WTW to think outside the box and develop a new insurance product that is only focused on the developer's interests – and with a sum insured that reflects the actual financial risk. The product is called PI+ and covers the developer's – and possibly a co-insured general contractor's – loss in the event of a liable error made by the consultant.

»PI+ is not a liability insurance. It is an insurance that covers the developer's most significant risks as a result of liable errors made by the consultant and that steps in in cases where there is insufficient cover on the consultant's ongoing professional indemnity insurance. And PI+ also provides cover in cases where the consultant has shown gross negligence or has gone out of business,« says Lene Pedersen.

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However, it is a condition that the consultant has made an error for which he or she is liable and that the developer's loss is not already fully covered by the consultant's ongoing insurance.

Favourable prices

The premium for PI+ depends on the project in question but is expected to be 70-75 percent lower than traditional project liability insurance. Insurance sums of up to DKK 50 million can be established, and the deductible will typically be between DKK 500,000 and DKK 1,000,000. However, the deductible on PI+ is fully or partially written down with

deductibles from the consultant's ongoing professional indemnity insurance, which is why in many cases no additional deductible will need to be calculated under the PI+ insurance.

»The premium for PI+ is significantly lower than for traditional project liability insurance, because PI+ is only brought into play when the compensation options through the consultant's ongoing professional indemnity insurance have been exhausted. And since PI+ also offers a scope of cover that in some cases is broader than the project liability insurance, PI+ is a really good alternative – especially for those who currently opt out of project liability insurance because it is simply too expensive,« says Lene Pedersen.

Contact WTW to find out more about PI+ coverage and prices – and get a concrete offer for an upcoming project.