

# Case Example: Project Insurance

By restructuring the way that a financial service organization purchases project insurance, we reduced project insurance costs by \$1-13MM (7-77%), depending on actual loss experience.

## Reducing Project Insurance Costs

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Disguised Client Example

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<u>Situation</u>	<u>Approach</u>	<u>Results</u>
<ul style="list-style-type: none"><li>■ Client required all contractors to carry individual workers' compensation, general liability and builder's risk policies.</li><li>■ Client required each contractor to purchase coverage based on incremental project volume (i.e., project-by-project).</li><li>■ Each contractor's insurance costs were based on its individual loss experience, its individual insurance purchasing leverage, and its individual administrative efficiency.</li><li>■ Favorable project loss experience flowed to individual contractors.</li><li>■ Client was unaware of insurance costs embedded in contractors' prices, and the extent and feasibility of alternatives.</li></ul>	<ul style="list-style-type: none"><li>■ Combined volume across foreseeable multiple contractors and multiple projects.</li><li>■ Determined the cost of insurance embedded in contractors' prices</li><li>■ Identified and compared a full spectrum of alternatives.</li><li>■ Reformulated and competitively sourced project insurance costs.</li><li>■ Incorporated respective risk mitigation and budget control tools.</li></ul>	<ul style="list-style-type: none"><li>■ Structured an alternative insurance program to "wrap-up" multiple contractor and multiple project risks.</li><li>■ Incorporated a mechanism for client to realize any benefits flowing from favorable loss control experience.</li><li>■ Competitively selected and professionally sourced insurance costs, reducing costs by up to \$13MM (77%).</li><li>■ Incorporated consistent standards and criteria for contractor pre-qualification, selection and loss control.</li><li>■ Incorporated benefits into project budgets and budgeting systems.</li></ul>