


# Bridging the indemnity gap

Owners' Protective Professional Indemnity (OPPI) insurance



A photograph of a modern cable-stayed bridge with a white pylon and multiple stay cables, spanning over a body of water. The sky is clear blue. In the background, there are some industrial structures and a crane. A blue circular graphic is overlaid on the bridge deck, containing white text.

**OPPI  
effectively  
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# Welcome to Zurich Owners' Protective Professional Indemnity (OPPI) insurance

Our OPPI product is unique. You will find nothing like it anywhere else in the UK market.

Zurich OPPI is an excess insurance policy, designed specifically to protect construction project owners. So if you are the owner of any new building project, it may be well worth considering the benefits that Zurich OPPI can offer you.

## What cover does OPPI provide?

OPPI indemnifies a project owner for direct claims arising out of the professional negligence of their subcontracted design teams, such as architects and engineers. The cover sits excess over all of the design team's annual programmes and is triggered when these policy limits are exhausted. OPPI effectively bridges any gaps resulting from inadequate liability insurance limits.

## Giving you full control

Design problems are one of the major causes of project overrun, delays and liability claims. Currently, the majority of project owners look to their design team's insurance to mitigate this risk, or take out their own project insurance.

In both cases, the cover will be in the name of the design team and your protection is limited to the extent of that cover.

In contrast to this situation, OPPI specifically covers the named project owner, independently of any other insurances that might apply. Crucially, this gives the project owner full control and allows them to decide on the best design team for the project, not just those with the highest available insurance limits.

# Understanding the need

## Why might you need OPPI?

It is important to bear in mind that the design team's cover is predominantly there to protect them, not you as a project owner. In contrast, OPPI is only there to protect you.

Your design team's insurances are often aggregated. This means that every claim they make is deducted from their total cover for any given period. If they are involved in multiple projects and experience several claims, this can quickly eat up their cover, leaving nothing in the pot if you have to claim against them. This carries obvious and potentially very serious implications for you as a project owner.

## Cost-effective cover

In addition to providing you with named person cover as a project owner, OPPI is also highly cost-effective. Our experience in the US is that even against the most competitive single project cover, OPPI is typically 25-50% cheaper. This is a small price to pay to protect your bottom line and to speed up recovery in the event of a major claim arising.

## Protecting your profitability

OPPI is the only option currently available on the UK market that offers you, as a project owner, complete protection. This gives you an immediate opportunity to secure your bottom line, without leaving it exposed to a potential shortfall in your design team's insurance cover.





## What might happen if you don't have OPPI?

At worst, finding yourself exposed to a professional indemnity claim for which the professionals you appointed are not adequately covered can be catastrophic.

Although Zurich's OPPI product is new in the UK market, Zurich has been offering this form of insurance in the US since 1995. In that time, we have come across many examples of major losses to project owners as a result of their design team's failures, one of which saw a £25 million loss on a £75 million hotel development project.

## Mitigating your risk levels

It is not hard to imagine similar scenarios occurring in the UK. Heathrow T5 and the building going on in preparation for the 2012 Olympic Games are two of the more obvious examples of potentially catastrophic exposure for project owners.

Given the scale of your potential exposure, it is easy to see why OPPI can be such a valuable form of insurance. It really does make sense to ensure that you are fully protected, and not leave such an important issue in the hands of others.

A hotel developer incurred losses in excess of £25 million due to multiple design errors on a new £75 million hotel project.

A £250 million casino incurred losses in excess of £10 million due to inaccuracies by the soils engineering consultant.

A £150 million office building project incurred losses in excess of £40 million because of multiple design errors.

# The key benefits of OPPI at a glance

## **Total indemnity protection**

In the event that your design team's liability insurance is inadequate, OPPI steps in and covers the difference.

## **Named person cover**

OPPI is specifically designed to cover the actual project owner, independently of any other insurances that might apply.

## **No nasty shocks**

OPPI gives you total peace of mind and full control of your insurance programme.

## **Quicker recovery**

Because OPPI gives you named person cover, in excess of any limits on your design team's cover, you can move to resolve any claims quickly. If you have to claim then rest assured; our OPPI expertise extends to dedicated teams of claims handlers.

## **Broader coverage**

OPPI also covers you against third party claims and any legal defence costs arising out of design negligence.

## **Flexibility**

OPPI can be arranged to cover the entirety of a single project, rewritten annually to reflect changing levels of exposure, or written to cover multiple projects running simultaneously.

## **Affordability**

In comparison with single project insurance, OPPI can be vastly more cost-effective. Our experience in the US is that even against the most competitive single project cover, OPPI is typically 25-50% cheaper.

## **Which projects can be covered?**

OPPI is targeted to all construction project owners and developers. This can include public and private entities with some of the following project types:

- Airports and runways.
- Casinos, resorts and hotels.
- Banks and shopping centres.
- Municipal buildings and prisons.
- Hospitals and schools.
- Housing and mixed-use developments.
- Warehouses and industrial buildings.
- Roads, railways and bridges.
- Interior design/renovations.
- Telecommunications projects.
- Cinemas and retail parks.
- Convention centres, open face stadiums and arenas.
- Other infrastructure, including waste water disposal.



For a redevelopment project, project insurance indicated pricing was 10% of the construction values...

...OPPI was able to secure the project with coverage at 40% less premium.

#### **Security going forward**

The insurance liability of architects, engineers and other professionals can often end at handover, which is usually where your liability starts. In contrast, OPPI will continue to provide cover after handover for up to a ten year combined policy period.

#### **Freedom to choose the best professional partner**

Because OPPI means that you are not reliant on your chosen architect's or engineer's potentially low levels of limits, you are free to choose the professional partner you most want to work with. Not just the one with the best insurance cover.

#### **Retroactive cover**

OPPI can even be written on projects that are already underway, at any point during the planning, design or construction process.

To find out more about OPPI, please call your usual Zurich contact or broker.

Our OPPI experts are available to discuss your needs with you in detail.



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