

Why Project-Specific Professional Liability Insurance is Essential in IPD Projects

Integrated Project Delivery (IPD) is reshaping construction by promoting collaboration, shared risks, and collective success.

This model also creates new challenges in managing professional liability, where roles between contractors and design professionals often overlap. Project-Specific Professional Liability (PSPL) insurance is more than protection, it is a foundation that makes IPD work. This insight explains why PSPL is essential, highlighting practical examples, legal context, and industry best practices.

WHAT IS PSPL?

Project-Specific Professional Liability insurance (PSPL) is a policy purchased for a single construction project. It provides liability coverage for all design professionals and key participants involved, rather than relying on each party's own professional liability insurance.

WHAT IS IPD?

Integrated Project Delivery (IPD) is a collaborative project delivery method where the owner, contractor, architects, engineers, and consultants share risks and rewards under a single contract. Its success depends on teamwork, transparency, and minimizing disputes.

THE ROLE OF PSPL IN IPD

1. SUPPORTS THE WAIVER OF CLAIMS IN CCDC 30

Under the Canadian Construction Documents Committee (CCDC) 30 IPD contract, parties agree not to sue each other (General Condition 10.1). However, there is an exception: claims can still be made if they relate to insurance required under the contract (GC 9.1).

Without PSPL in place, this waiver of claims falls apart. That means project participants could face lawsuits from one another, which goes against the collaborative spirit of IPD.

Importantly, a claim under professional liability insurance or PSPL does not always require a lawsuit. A simple written demand or allegation of negligence in design services may be enough to trigger coverage.

2. CLOSES COVERAGE GAPS

Practice Professional Liability policies vary in coverage scope and may exclude IPD-related risks. PSPL ensures unified, non-cancelable coverage for the entire team, including consultants and subconsultants.

3. EXPEDITES CLAIMS RESOLUTION

With a single insurer and policy, PSPL eliminates delays caused by coordinating multiple Professional Liability carriers and extensive discovery costs. This ensures faster resolution and maintains project momentum.

4. ALIGNS WITH IPD'S COLLABORATIVE ETHOS

IPD thrives on trust, transparency, and shared goals. PSPL reinforces these values by removing adversarial incentives and enabling joint defense strategies. It is also valuable in protecting the shared risk / profit pool on behalf of the key participants of the IPD contract. Rectification cover allows the parties to identify potential design issues and collaboratively address them, instead of pointing fingers.

5. SHARED APPROACH TO RISK-MANAGEMENT

PSPL removes the contractual risk transfer utilized in more traditional delivery methods. This facilitates a joint interest in Risk Management and makes the project more attractive to participants, who aren't forced to accept an elevated

proportion of the risk – relative to their standard duty of care.

REAL-WORLD SCENARIOS

The following examples illustrate how PSPL can make or break an IPD project:

LEAKY ROOF

A design error causes post-completion water damage. With PSPL, the claim is resolved under one policy. Without it, the responsible party may face uncovered liability and internal IPD team disputes.

STRUCTURAL DESIGN ERROR

A miscalculation delays steel fabrication. PSPL covers the delay-related costs. Without it, the structural engineer's Practice Professional Liability may be insufficient to cover the cost, impacting the shared profit pool.

THIRD-PARTY LAWSUIT

An accessibility group sues for non-compliance. PSPL provides joint defense. Without it, the prime consultant may be left to defend alone as the IPD contract may bar their ability to third party the responsible consultant.

PRODUCT SUBSTITUTION ERROR

A junior architect specifies a non-compliant glazing system. PSPL covers the cost of replacement. Without it, the firm may be solely liable.

KEY POLICY FEATURES TO LOOK FOR

1. **Named Insureds:** All IPD design team members, including all sub-consultants and designers
2. **Rectification Coverage:** Covers costs to fix design errors before they escalate.
3. Clear definition of Professional Services covered, that accurately captures the project specific exposure.

4. **Joint Defense Provisions:** Ensures unified legal response to third-party claims.

ADDRESSING COMMON OBJECTIONS

"We already have individual Practice Professional Liability policies."

These policies often exclude IPD projects, have inconsistent limits, coverage, don't cover all team members, and may be eroded by claims on other projects. PSPL ensures comprehensive, project-wide protection.

"PSPL is too expensive."

While PSPL adds upfront cost, it protects the shared profit pool and avoids costly litigation. It also levels the playing field—owners' and contractors' wrap-up and builders' risk policies are project-funded, while consultants otherwise bear Professional Liability costs individually.

"We don't handle any Design."

The Design process for IPD projects is collaborative and ongoing, with Contractors involved from the initial design phase in identifying solutions and advising on constructability. The PSPL ensures all the parties are protected and removes the need to apportion fault.

CONCLUSION

PSPL insurance is not just a risk management tool - it is a foundational element of successful IPD execution. It protects the collaborative structure, accelerates claims resolution, and ensures that all team members are aligned and protected. As IPD adoption grows, so too must our understanding of the insurance structures that support it. PSPL is not optional - it's essential.

If you have questions specific to your business, or would like additional information, please reach out to your Lloyd Sadd Advisor.

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Edmonton: 1.800.665.5243
Calgary: 1.866.845.8330
Kelowna: 1.800.665.5243

lloydsadd.com
info@lloydsadd.com

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