

## Project Loss Insurance: Heard of It?

### Executive Summary

There exists an insurance product to mitigate the risk associated with catastrophic failure of a construction company. It's called Project Loss Insurance.

### Tell me more about this insurance.

Project Loss Insurance (PLI) is a product that covers financial loss to a contractor for losses associated with:

- Bad estimates
- Poor production
- Subcontractor failure/default
- Delay damages
- Price escalations
- Manufacturer/supplier failure
- And more ...

It covers many types of companies including general contractors, heavy/civil contractors, and their trade partners. Read more about it here [QR].

### My Story

I have never heard of this insurance, but always wondered if something like this existed. With my construction company, and with many I know, I suffered with cash flow. We would suffer from changed conditions that took months or years to get resolved, disputes on schedule impacts which resulted in us financing the work until resolution and payment, and it seemed when I exited my business each of my jobs required some sort of legal participation (letter writing, contract negotiation, payment capture, mediation representation, et cetera).

When I was in trouble, I simply needed a bridge loan – just a loan to get me through the tough times. I don't know enough about this product to know if payments are a loan or just a flat out payment after coverage of the deductible.

This product sounds similar, but very different, to construction claims financing. The word "finance" is certainly a loan in which the contractor borrows money in order to weather the time between the filing of a claim and the actual payment from the Owner.



It's no surprise that a product like Project Loss Insurance has been discussed and finally offered. When I enter a job to assist a contractor on a claim against the owner, my client is always suffering cash flow issues. For small jobs it may be a couple hundred thousand dollars, but on some of these \$500 million and greater projects, I'm sure the cash losses have exceeded \$250 million.

Interesting product and for now the only company offering it seems to be Travelers Insurance. If anyone out there finds out more about it, please let me know! Travelers is smart enough to know this can't be offered as a *get out of jail free* card to contractors – I'm sure they make sure the contractor has skin in the game!

**Work Safe!**

