

Travelers Project Loss Insurance

CASE STUDIES

Travelers Project Loss Insurance (PLI) is a risk-sharing solution designed to mitigate the risk of a catastrophic project loss resulting from things like bad estimates, poor production, subcontractor failure/default, delay damages, price escalations, manufacturer/supplier failure and more...

HOW IT WORKS:

CASE STUDY 1

Working Capital:	\$5,000,000
Net Worth:	\$7,500,000
Each Contract Limit:	\$2,500,000
Aggregate Limit:	\$5,000,000
Project Loss:*	\$4,500,000
Each Contract Deductible:	\$1,500,000
Loss in Excess of Deductible:	\$3,000,000
Insurer's Share Percentage:**	75% = \$2,250,000
Insured's Share Percentage:**	25% = \$750,000

Insured experiences a Project Loss of \$4,500,000. First, the \$1,500,000 Each Contract Deductible is subtracted from the Project Loss amount to equal \$3,000,000.

Next, the share percentages are applied. The Insurer's Share Percentage is 75% of the \$3,000,000 or \$2,250,000. The Insured's Share Percentage is 25% of that \$3,000,000 or \$750,000.

The Insurer's part of the loss is the Insurer's Share Percentage of \$2,250,000. The Insured's part of the loss is the Insured's Share Percentage of \$750,000, plus the Each Contract Deductible of \$1,500,000, for a total of \$2,250,000. As a result of PLI, the contractor's loss on this project was reduced by 50%, from \$4,500,000 to \$2,250,000.

HOW IT WORKS:

CASE STUDY 2

Working Capital:	\$10,000,000
Net Worth:	\$14,000,000
Each Contract Limit:	\$4,000,000
Aggregate Limit:	\$8,000,000
Project Loss:*	\$8,000,000
Each Contract Deductible:	\$1,500,000
Loss in Excess of Deductible:	\$6,500,000
Insurer's Share Percentage:**	75% = \$4,875,000
Insured's Share Percentage:**	25% = \$1,625,000

Insured experiences a Project Loss of \$8,000,000. First, the \$1,500,000 Each Contract Deductible is subtracted from the Project Loss amount to equal \$6,500,000.

Next, the share percentages are applied. The Insurer's Share Percentage is 75% of the \$6,500,000 or \$4,875,000. The Insured's Share Percentage is 25% of that \$6,500,000 or \$1,625,000.

The Insurer's part of the Project Loss is the Insurer's Share Percentage, up to the Each Contract Limit, which is \$4,000,000. The Insured's part of the Project Loss is the Insured's Share Percentage, which equals \$1,625,000, plus the Each Contract Deductible of \$1,500,000, plus the amount of loss exceeding the Each Contract Limit, which is \$875,000, for a total of \$4,000,000. As a result of PLI, the contractor's loss on this project was reduced from \$8,000,000 to \$4,000,000.

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CASE STUDIES

HOW IT WORKS:

CASE STUDY 3

Working Capital:	\$3,000,000
Net Worth:	\$3,500,000
Each Contract Limit:	\$1,500,000
Aggregate Limit:	\$3,000,000
Projected Total Project Loss:*	\$2,750,000
Each Contract Deductible:	\$750,000
% Complete at Time of Proof of Loss:	54%
Completion % applied to Projected Total Project Loss:	\$1,485,000
Incurred Loss in Excess of Deductible:	\$735,000
Insurer's Share Percentage:**	75% = \$551,250
Insured's Share Percentage:**	25% = \$183,750

Insured projects a Total Project Loss of \$2,750,000 and submits proof of loss at 54% complete. That percentage is applied to the projected loss to equal \$1,485,000. The \$750,000 Each Contract Deductible is then subtracted from that amount to equal \$735,000.

Next, the share percentages are applied. The Insurer's Share Percentage is 75% of the \$735,000 or \$551,250. The Insured's Share Percentage is 25% of that \$735,000 or \$183,750.

The Insurer's part of the loss is the Insurer's Share Percentage of \$551,250. The Insured's part of the loss is the Insured's Share Percentage of \$183,750, plus the Each Contract Deductible of \$750,000, for a total of \$933,750. As a result of PLI, at 54% complete, the contractor's loss on this project was reduced from \$1,485,000 to \$933,750.

The Insured submits adequate supporting documentation for the Projected Total Project Loss, and Travelers does not dispute that it is a covered loss or the amount of loss. Travelers makes the first Interim Payment in the amount of \$551,250.

*Examples assume losses meet the policy definition of Project Loss.

**Insurer and Insured's Obligations are capped and adjusted per Policy Limits.



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