



PARTNERSHIP FOR COMMERCIAL INSURANCE & RISK MANAGEMENT

ALIGNMENT OF POLICY TERMS WITH CONTRACTUAL OBLIGATIONS

THE USI  ONE ADVANTAGE®
www.usi.com



ALIGN POLICY TERMS WITH CONTRACTUAL OBLIGATIONS

Executive Summary

USI assists clients in managing risk assumed under contract with improved contract language and alignment of policy terms with contractual obligations

CONTROL**+****COST****+****COVERAGE**

Why is it Important

- Manufacturers & Distributors enter into agreements with suppliers, customers and vendors, as standard course of business, assuming significant risk
- Similar to insurance policies, no two contracts are alike, frequently resulting in misalignment of exposure and coverage
- Additional insurance needs are often overlooked when assuming risk under contract, resulting in coverage gaps
- Contractual obligations are frequently accepted without consideration for alternative transfer methods, terms or available coverage



Impact and Benefits to Clients

- Comprehensive review focused on risk transfer options, preferred contract language and alignment of coverage with retained risks
- Allows for informed risk management decisions when transferring, assuming and protecting third party liabilities
- Compliance with third party contractual obligations
- Protects against uncovered loss up to policy limit and/or contract value

ALIGN POLICY TERMS WITH CONTRACTUAL OBLIGATIONS

Comprehensive Review Process

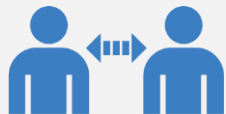
USI'S COMPREHENSIVE REVIEW:



Review client contracts to determine where risk(s) can be transferred to a third party



Partner with client and their attorney to establish most favorable contract language for retained and assumed risks



Evaluate clients' aggregate contract exposures and current insurance policies, aligning coverage to fully protect client's contractual obligations

Step 1: Review and Identify Where Risk Can be Transferred to a 3rd Party

Transferring Risk to 3rd Parties via Contract

Service Agreement



Prospective client, a Manufacturer with a large showroom and distribution complex, hired a contractor to remove snow and ice from parking lots and common areas.

Contract required that snow removal company carry general liability coverage.

Client Challenge



A customer fell on ice, filing a lawsuit against the Manufacturer, who tendered the claim to the contractor for defense.

Contractor's insurance carrier denied claim noting there was no defense or indemnification provision in the contract.

Manufacturer submitted claim under its own policy, which had a \$100,000 deductible, resulting in out of pocket costs.

USI Solution

- Upon becoming the broker, USI required that contractor name client as an additional insured on a primary and non-contributory basis under their policy.
- Indemnification/hold harmless provision was also added to the contract.

Impact:

\$100,000 deductible and transfer of future liabilities up to policy limit.

Step 2: Review and Obtain Optimal Contract Language When Assuming Risk

Mitigating Contractual Obligations

Lease Agreement



Prospective client was looking to rent a warehousing facility. Lease required client to hold landlord harmless from liabilities related to hazardous substances with limits of \$25M.

Client Challenge



Manufacturer didn't feel \$25M in limits was warranted, nor did they want to incur the \$100,000 additional premium.

Dissatisfied with current broker, Client approached USI for a potential solution.

USI Solution

Completed a comprehensive risk assessment, benchmarking and analytics, demonstrating to landlord that liability exposure was minimal. Negotiated lower limits in contract, resulting in premium of \$25k.

Impact:

\$75,000 premium savings and compliance with lease agreement.

Step 3: Review Contract Exposures & Current Insurance Policies

Align Policy Terms with Contractual Obligation, Eliminating Coverage Gaps and Preventing Uncovered Loss

Supplier Agreement



Manufacturer was looking to enter into a Supplier Agreement with a new Customer which required Manufacturer protect and indemnify customer from any loss arising out of bodily injury, property damage and any other damages or loss related to product failure, design and/or installation error.

Client Challenge



Manufacturer's GL policy provided coverage for claims arising out of bodily injury and property damage only.

USI Solution

Separate Manufacturer's E&O Policy was purchased for \$12,500 premium to address "other damages" or non-BI/PD claims, such as 3rd party financial loss.

Impact:

- Prevented a breach of contract.
- Avoided uncovered E&O claim up to policy limits of \$1M.



DECISION
MAKING



INNOVATION

**NEXT
STEPS**



GROWTH



TIMING

Conduct Contract and Policy Review

- Obtain copy of current contract(s)
- Obtain copy of relevant insurance policies



CONFIDENTIAL AND PROPRIETARY: This document and the information contained herein is confidential and proprietary information of USI Insurance Services, LLC ("USI"). Recipient agrees not to copy, reproduce or distribute this document, in whole or in part, without the prior written consent of USI. Estimates are illustrative given data limitation, may not be cumulative and are subject to change based on carrier underwriting.

© 2014-2020 USI Insurance Services. All rights reserved.