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Contractors Pollution Liability (CPL)

When your contractor is required to carry “pollution”, “mold” or “environmental” liability insurance...

Things you should find out up front:

1) *What is the expected duration of this contract?*

Policy terms of more than one year are available on a project-specific basis (best if requested up front). The proposed policy term should be at least a few months longer than the expected duration of the project to account for any delays.

2) *What is the approximate revenue for this contract and what are their total annual sales?*

A CPL policy can be written on a project-specific basis or an annual basis (covering all contracting work performed during a year). Because of minimum premiums, there is often no difference in price between the project-specific and annual policies. Thus, a contractor can cover all of their jobs for a year for the cost of meeting one contract requirement.

- ❖ If the project will be completed in less than one year, you might advise a **general contractor** as follows:
 - If annual contracting revenue is less than \$5mm, the contractor can purchase an annual policy to cover all of their jobs for the same cost as a project-specific policy (due to minimum premiums).
 - The larger the gap between the annual revenue and project value, the greater incremental cost the insured will incur to cover their other projects. For example, if the expected annual revenue is \$10mm and the project value is \$2mm, there may be a very modest incremental cost to purchase the annual policy. However, if the expected annual revenue is \$50mm and the project value is \$2mm, a more substantial incremental cost will be incurred to purchase an annual policy.
- ❖ For a **standard trade contractor** (plumbing, roofing, insulation, etc.), you would advise them as a general contractor, but using a lower annual revenue threshold (\$2.5mm vs. \$5mm for GCs) to determine the likelihood of the minimum premium applying.
- ❖ If there is any doubt regarding the best approach (annual vs. project), always start by obtaining annual quotes and then ask UCPM if there is any chance of reducing cost by going with a project-specific policy.

3) *Does your contractor have any job-costing preferences?*

In some situations, contractors would rather purchase multiple project-specific policies (even if they end up spending more than an annual policy) because they can more easily expense the policy to a specific job. This is particularly true if they are doing the project on a Time and Material (T&M) basis.

4) *Do they plan to bid similar contracts in the future?*

If your contractor plans to bid similar projects in the future, you may want to assess whether they feel that having an annual policy in place would give them a cost advantage on future bids if pollution coverage is again required.

What to do next:

A) *Request a copy of the insurance requirements from the contract.*

The contract may contain specific requirements regarding the policy form, extended reporting period or coverage for specific pollutants. We have numerous carrier options for CPL coverage and can meet any requirements, but it is best to know up front since some carriers may not be able to comply with all requirements.

B) *Call UCPM to discuss options, obtain an appropriate application or get a quick ballpark price.*

Call the UCPM specialist that you typically work with or dial 800-685-8185 ext. 0 to be directed to someone who can answer your questions and provide direction.