

IPIInitiatives
Collaboration Without Barriers

IPI Model Information

May 2026



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IPI Model Information

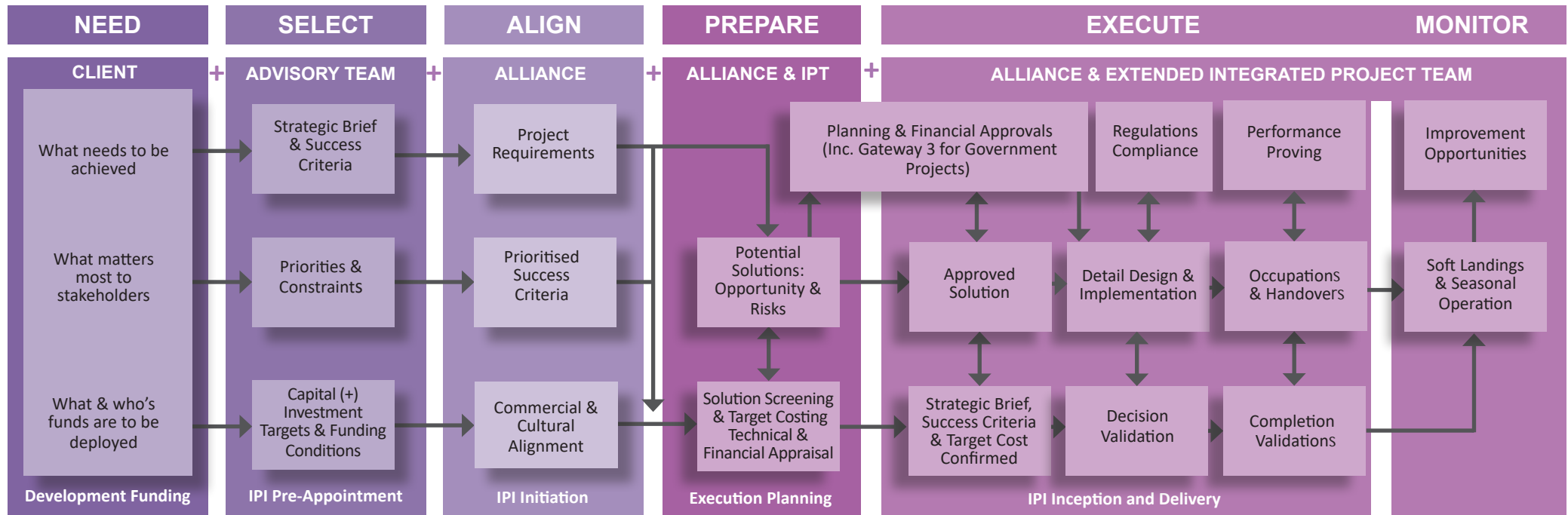
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COLLABORATION IS KEY

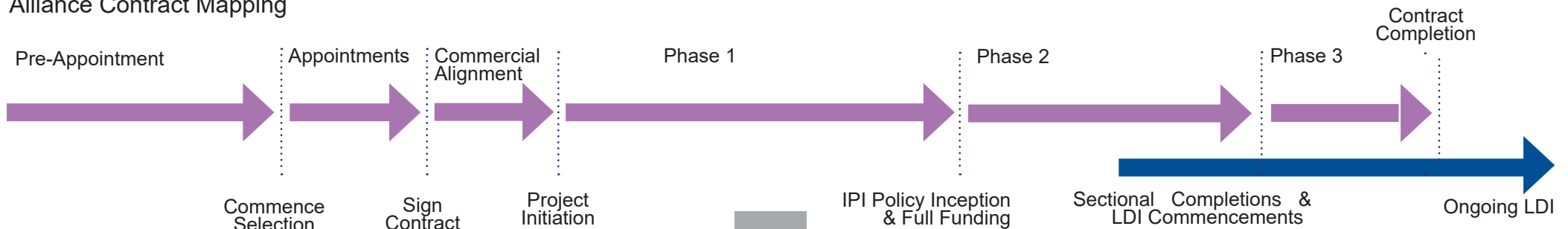
SECTION 1 - IPI PROCESS

Mapping the IPI Model Process to the Alliance Contract Phases

From Inception to Completion Through a fully Integrated Collaborative Team



Alliance Contract Mapping



SECTION 2 - HOW IPI WORKS

Need

To prepare for an investment to be made using the IPI Model, the client will:

- Establish the fundamental business or organisational need; the purpose which is required to be met.
- Identify who the key stakeholders are, what their drivers and expectations are and how they will be involved, consulted or advised.
- Determine the amount of investment which is to be made available and whose funds are to be deployed. Intelligent Clients will search out tried and tested benchmarks to ensure budgetary realism from the outset.

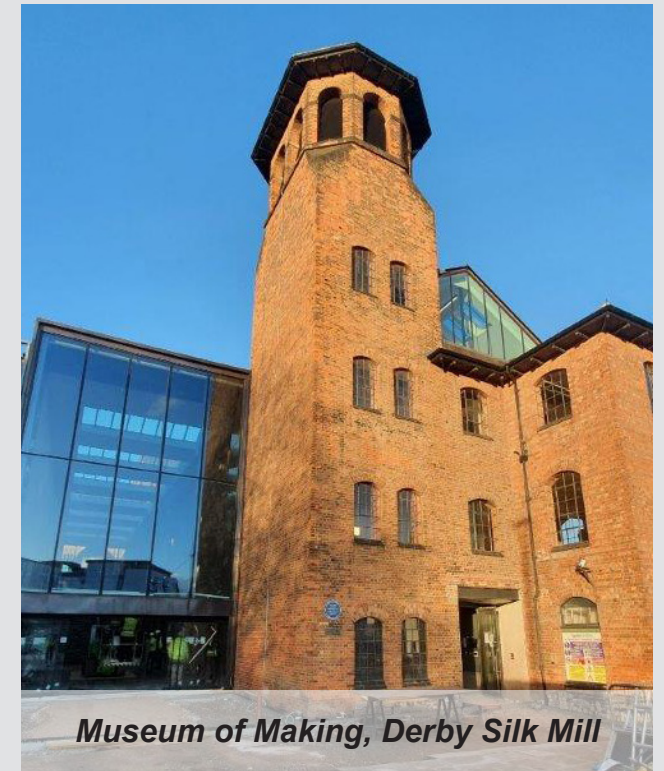
Needs often cover a range of conflicting requirements such as spatial utilisation, affordability, revenue generation, capital deployment and recovery, infrastructure and planning constraints, to name a few. Many clients find it necessary to explore concepts to assist this evaluation and obtain internal approvals to proceed. The success of IPI demonstrates that maximum benefit is achieved where these concepts have the greatest flexibility to incorporate innovative thinking from the whole alliance.

IPI provides an Independent Facilitator (IF) who works with the client from the start to:

- Assist in establishing the need, clarify the drivers and determine the necessary skills and capabilities of the Advisory Team
- Advise on the selection process to appoint the Alliance members. Under the IPI model selection is focussed on identifying both companies/organisations and individuals who have the ability to work collaboratively to maximise the opportunities presented by the whole team and to minimise waste by collective challenge and removal of inefficient methods, processes and procedures.

Selecting the right team members is critical to the success of any venture. The selection process will differ depending on whether the procurement is to be a one-off activity or applied as part of an existing framework.

Discerning selection minimises the risk of disruptive team changes later.



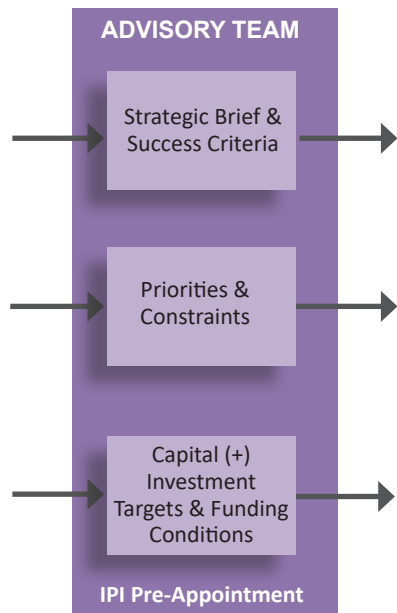
From the RIBA Journal 2019

“This is revolutionary in several respects. It is perfect for clients with finite budgets and long-term investment goals. Freeing the project team from the tyranny of PII and two-stage design and build improves efficiency and reduces waste.... It caps the parties’ absolute financial liability. More importantly, it allows teams to embrace the kind of true collaboration that will fulfil BIM’s 5D promise and the wider adoption of offsite manufacture and construction.”

Select

An Advisory Team assists the client in the selection and appointment of the parties that will develop and deliver the project. This advisory team comprises the client and IF, together with key client advisors covering appropriate procurement, construction and cost/project management skills.

The Technical Independent Risk Assuror (TIRA) and Financial Independent Risk Assurer (FIRA) should also be included.



The Advisory Team assists the client in generating the strategic brief, the high level description of needs to be met, and in developing and prioritising the success criteria. A key feature of IPI is the focus on developing this baseline intelligence to inform those tendering for the project and to enable value decisions to be made throughout the life of the project. When all parties understand the hierarchy of various and often conflicting measures of outcome success, solutions can be offered which are agreed to be fit for the purposes of the client whilst addressing the reality of available time and funding as well as other constraints that may apply.

The Advisory Team assembles the procurement documentation and supports the client in the selection and appointment process. The size of the team depends on the needs of the project. Selection of the team and the award of the Alliance Contract will primarily be based on an assessment of bidders' skills, capabilities and behavioural competencies. It should include presentation of specific proposals relating to the achievement of the strategic brief and success criteria, as well as assessment of their proposals for removing waste and inefficiency, in order to achieve a total outturn cost below the target - this being on the basis of the Most Advantageous Tender criteria reflecting the change in procurement regulations.

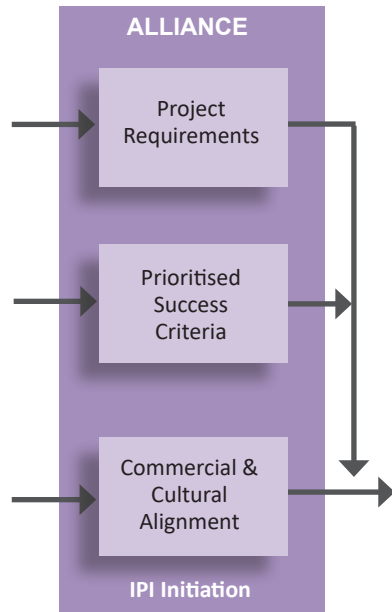


The cost information gathered through the procurement process is used to enable the Alliance to adopt open book working during the development and delivery of the project, and with FIRA support during the selection process, is used to develop a baseline target cost model to assist this.

At the end of this step the members of the team who will form the Alliance with the client are identified, the trust account is established by the client, and any external advisors appointed for the selection phase alone stand down.

Align

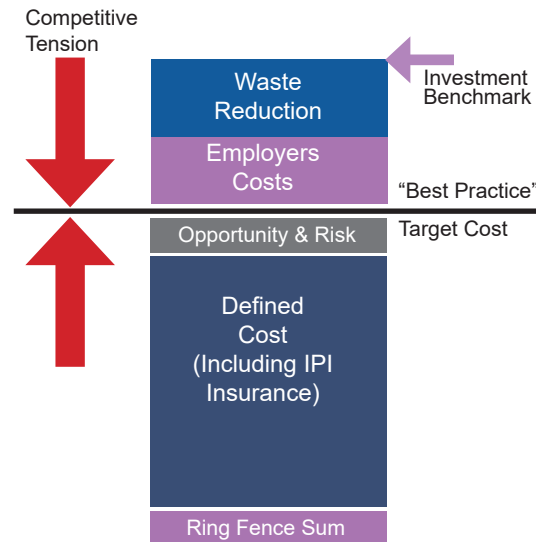
The selected partners are contracted to form an Alliance with the client and work together to achieve commercial and cultural alignment. The partners are those who will participate in the development and implementation of the solution yet to be identified: they should cover all areas having significant design and/or delivery influence that are critical to the successful outcome. This will bring some specialists, suppliers and/or manufacturers into the Alliance at onset, which is a primary feature of the fully collaborative nature of the IPI model and key to enabling IPI to obtain savings that other methods fail to achieve. In-house specialists of the client, such as facilities managers, can also join the team. The Alliance appoints an Alliance Manager (who commands the IPT's respect and is part of the project cost) and continues to be supported by the IF, TIRA & FIRA.



The Alliance evaluates the strategic brief and success criteria to confirm understanding and to develop and feedback for confirmation (sign off) any clarification or issues which could lead to change in the baseline requirements. The Alliance identifies high level solution expectations (e.g. the likely extent of new build, refurbishment and infrastructure content), and agrees the appropriate makeup of the team who will take the project forward. The team being drawn from the initial proposals of membership submitted during the tender process.

The Alliance establishes the initial target cost. This will be challenging because it will be below the outturn benchmark for a project of this nature, on the basis that this benchmark incorporates locked in waste and inefficiency.

ESTABLISHING THE TARGET COST



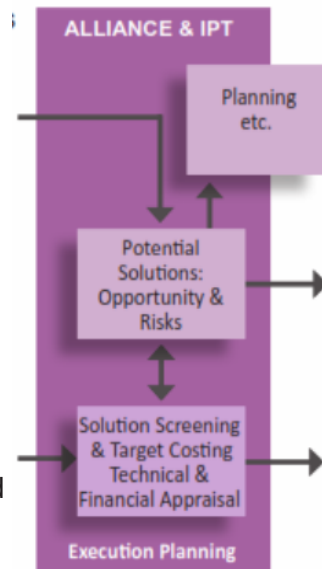
IoTT - Institute of Technology, Dudley College of Technology

The Alliance will also prepare the Phase 1 Project Execution Plan (PEP) which will describe the methodology and budget to take the project to IPI policy inception and, once approved, enables the Alliance to move on to the next step.

Prepare

The Alliance considers the opportunities and risks presented by the strategic brief and success criteria and 'validates' any decisions necessarily made prior to formation of the Alliance. Experience shows, especially for those new to IPI, that validating pre-considered concepts can be an easier starting place than creating from scratch.

Potential solutions are developed on an open book basis and Alliance members are paid for what it is agreed they need do, which is only as much design and investigation as is necessary to determine the viability of the most appropriate solutions. The Alliance decides who does what, and with key design and implementation parties in the same Alliance there is no need to create documentation simply to transfer risk between parties. Potential solutions are screened against the strategic brief and success criteria to ensure they are appropriate and affordable and the TIRA & FIRA work with the team to ensure technical and financial risks have been fully considered.



The target cost is developed collaboratively by the whole team through workshop style discussions and maintained by an Alliance-appointed cost manager. This is a fundamental part of the transformation that enables the IPI Model to quickly establish realism, affordability and ownership of the requirements and the target cost. The Alliance develops this cost plan top down, which is another key feature of the IPI approach: the discipline of working on an elemental basis, with increased levels of granularity as the information develops, challenges the team to determine what is possible within that target, what opportunities and risks exist and what allowances should be made for them. Out of this competitive tension the target cost is found.

The Alliance identifies the preferred solution on the basis of the "best for project" outcome in relation to achieving the success criteria and meeting the needs of the strategic brief. The preferred solution is developed, again only in sufficient detail as to enable a business case decision to be made and the risk profile to be quantified at a suitable level to enable the IPI policy to be incepted at the end of the step.

This may require consultation with regulators including planners, and in some instances, it may be necessary to submit applications to confirm the viability of solutions or elements; but under the IPI methodology the amount of design development and detailing necessary to

quantify the solution and target cost is typically significantly less than with most other methods - which greatly reduces the time taken to reach approval to proceed (Government Gateway 3).

The Alliance also identifies the core of the IPT including those whose impact is not significant enough to warrant being Alliance partners. Depending on the solution adopted, supplementary skills may be required that warrant the inclusion of an additional Alliance partner, but this should be a rare occurrence since the overriding principle of IPI is early appointment and commitment to all parties for the duration of the project lifecycle. Where an additional team member is required, they will ideally be drawn from other parties who have already been through the selection process.

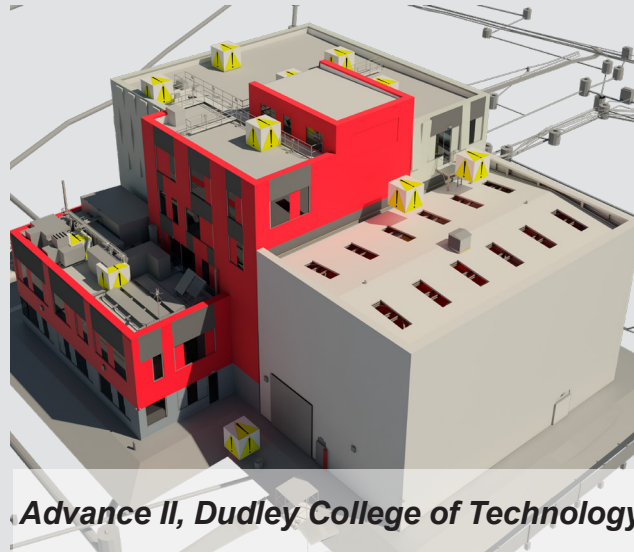
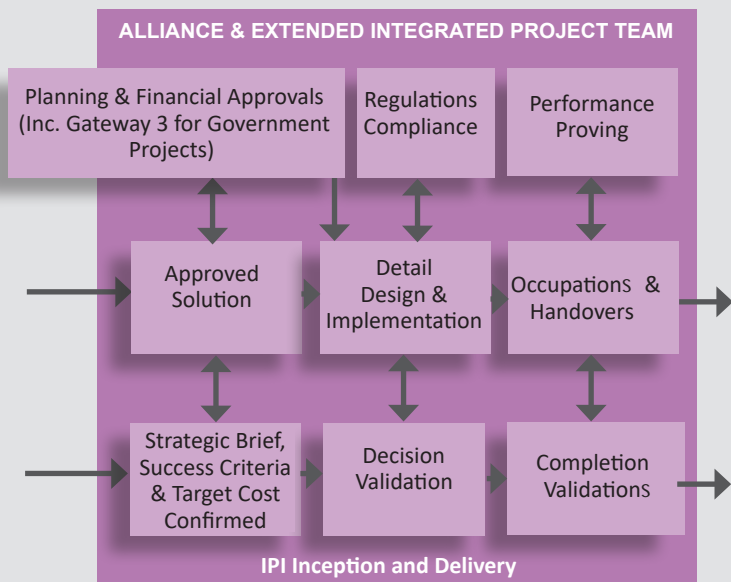
At the end of this step the Alliance:

- Reconfirms the strategic brief and success criteria
- Provides the preferred solution together with the Phase 2 PEP
- Signs off the commercial model - which includes the agreed target cost, the gain-share/pain-share mechanism that incentivises all team members to achieve the desired outcomes, and the cap on the insurers' indemnity.

The IF works throughout to ensure an inclusive collaborative culture is embedded and the TIRA and FIRA provide independent advice and support in respect of opportunities, risks and allowances for the same. If they are satisfied at the end of this step, the IF/TIRA/FIRA provide a report to the client, funders and insurers in support of the Alliance proposal, enabling IPI policy inception to take place and full funding to be released.

Execute

Once approval to proceed has been received and the IPI insurance policy has been incepted, the Alliance is ready to commence in earnest.



Advance II, Dudley College of Technology

The Alliance works in accordance with the Phase 2 PEP, developing the solution and preparing to commence physical implementation in the most time and cost-efficient manner it is able to achieve. As the preferred solution evolves all the parties necessary to complete the works will be confirmed by the IPT via second chain appointment from the Alliance Board. Opportunity realisation, risk reduction and waste elimination workshops will be held to optimise the process and the team will be supported by the IF to ensure all parties maintain a robust challenge of traditional processes, procedures and methods so as to identify and strip out waste and eliminate process and procedural inefficiency.

Throughout the development and delivery phase the strategic brief and success criteria are used as references to evaluate issues and inform decisions, and the TIRA & FIRA will regularly report both to the Client and their funders and the insurers on the resolution of technical and financial risks. The IF will continually monitor, nurture and report on the collaborative culture.



Museum of Making, Derby Silk Mill

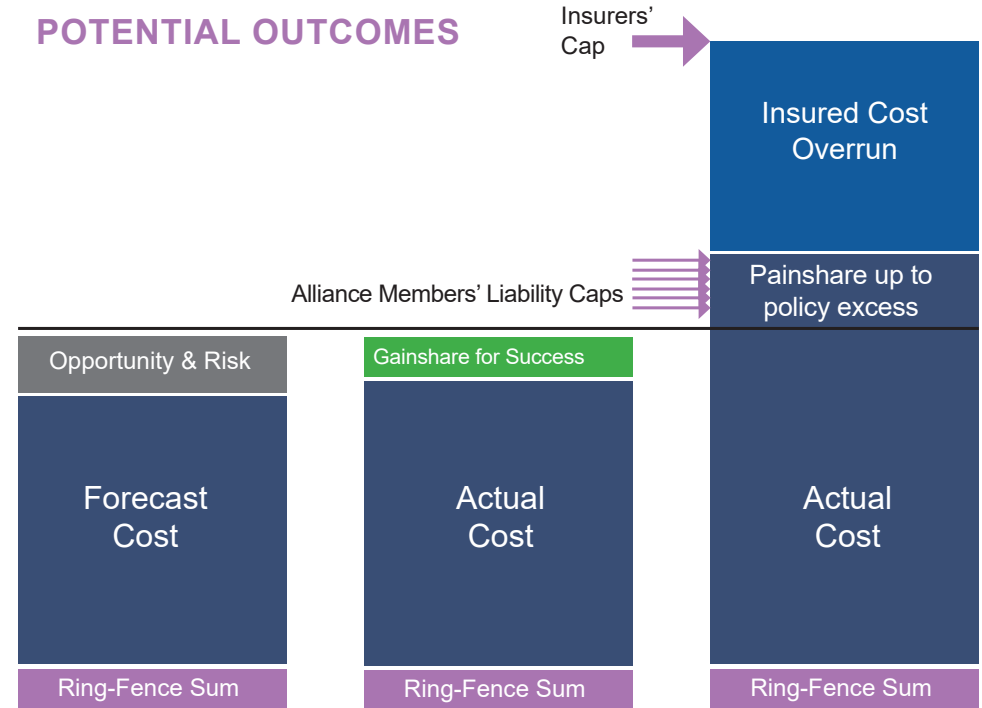
Change in the IPI environment is very different to that of traditional models. Virtually all changes required to deliver the approved solution are considered to be project development activities and included in the target cost allowances; one of few exceptions to this is where there is change proposed to the signed off strategic brief and/or success criteria which may have a significant adverse impact on outcome. In this instance the alliance contract provides for the impact to be assessed and for the change, if agreed, to be adopted together with any required revision in the commercial terms, including the target cost and gain-share/pain-share incentives as necessary. However, the IPI focus on establishing the clear needs at the very beginning has already demonstrated that such change is a rare feature of IPI projects.

Following the principles of integrated collaborative working, the IPT adopts a single integrated programme which best meets the delivery objectives. As the project progresses the opportunities to add value and generate savings will be realised – which simultaneously benefits and reinforces the alignment of the team; risks will be quantified or eliminated; and costs reallocated as appropriate within the live cost plan - with payments flowing via the project trust account.

All parties, including the insurers, will be regularly appraised of progress and notified of the likely extent of gain-share distribution or any likelihood of overspend requiring draw down of pain-share or, in the worst case, funding from the cost overrun cover to meet a shortfall.

At completion, final outturn cost is reconciled, and gain-share/pain-share allocations determined in accordance with the distribution agreed at the end of the Phase 1 preparation stage. This includes allocating a reserve of funds to support the Phase 3 soft landings and seasonal commissioning period (agreed during Phase 1 with a default of 12 months). If completed in sections, each completion includes an "advance" Phase 3 period.

POTENTIAL OUTCOMES



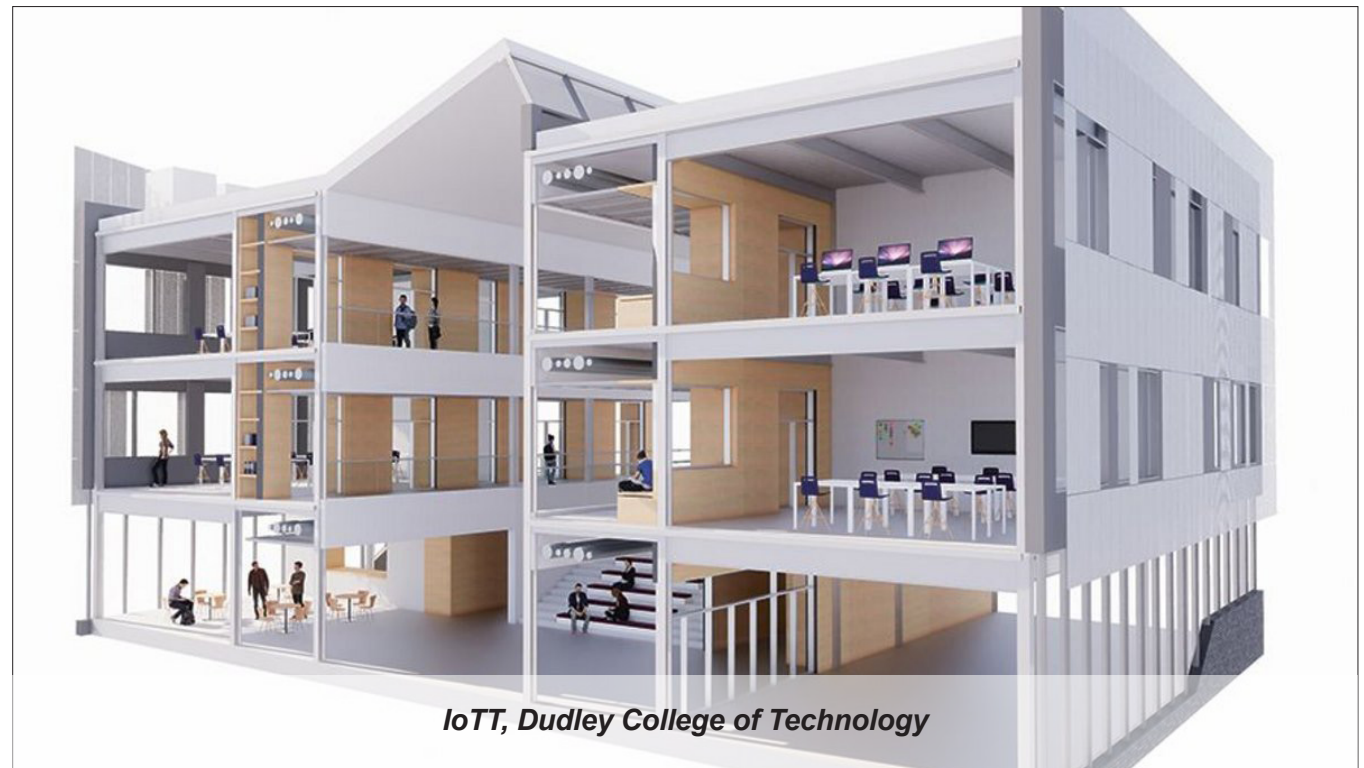
Monitor

The team stays together to support the soft landings process, oversee seasonal performance monitoring and rectify any defect which occurs in the first 12 months. If there are any defects identified in the TIRA's report prior to completion which it is agreed do not prevent completion, they are carried out to an agreed timescale and the cost of rectification is included in the reserve allocation, to be drawn down via the Trust Account. Inherent defects which were unknown at completion are funded from the Latent Defect Insurance which comes into effect at completion. The project now has a clean bill of health, and as normal practice the building owner pays any excess, although this may be incorporated into service charges for tenants etc.



During the first 12 months monitoring period lessons learned will be captured and disseminated for the betterment of future IPI projects and the industry at large. At the end of the monitoring period the Alliance and the IPT will stand down and the contract will be complete. For the remainder of the latent defects period, the insurers may at their discretion choose to contract one or more alliance members or other suppliers or contractors to rectify latent defects in the most economical way.

IPI is capable of being applied to success criteria which may include operational performance beyond the first year, such as maintenance targets, energy consumption and lifecycle performance. However, these are supplementary services for which additional costs and policy terms will be required and their inclusion will need to be determined at IPI policy inception to confirm whether such outcomes are insurable. If these are to be incentivised, an allocation of gain-share/pain-share and the release/recovery mechanism will need to be agreed at the end of Phase 1.



SECTION 3 - HOW THE ALLIANCE CONTRACT WORKS

Alliance Contract

- 1 Projects under the IPI Model are delivered using an Alliance Contract which is new to the construction industry in the UK. Drafting of the Alliance Contract has drawn on a wealth of experience on alliancing and similar partnering relationships in both the UK and Australia.
- 2 Although collaborative forms of contract are in use in UK, each partner has to provide its own insurances, whereas under the IPI Model all members of the Alliance are covered by a single IPI policy (without reliance on PI). It is a flat structure like a “virtual company” with each member contracting on a “no blame/no claim” basis in a truly integrated venture which encourages innovation and measured risk-taking to drive down cost.
- 3 A novel feature of the Integrated Project Insurance policy (that gives the model its name) is the cover for cost overrun if the final outturn cost of the project exceeds the target cost plus pain-share. Insurers are willing to provide this cover because the Alliance is truly integrated, and its members have agreed to work together on a no blame/no claim basis, establishing an IPT of individuals who are selected by the Alliance as being the best persons for the job. There is a continuing requirement by the client and insurers for independent facilitation and technical /financial risk assurance throughout the process.
- 4 The membership of the Alliance will be determined at selection/award stage as the best combination of bidding organisations who are considered to be capable of addressing and delivering the strategic brief for the project in accordance with the “success criteria” (e.g. speed of completion, or whole life cost) within the investment benchmark. The number of members will be kept to as few as necessary consistent with ensuring that the key interests, skills and capabilities for a successful outcome are properly represented on the Alliance Board.
- 5 Typically the Alliance will comprise:
 - The client
 - Two or three design consultancies
 - Two or three specialist contractors
 - One or two constructors
 - A project integrator and a (seconded) facilities manager
- 6 There is flexibility to weigh the benefits of multi-disciplinary designers or specialist contractors against relevant niche skills of local SMEs. Provision is made that after the members have made key choices (e.g. steel v concrete structure), other designers, specialist contractors or suppliers may join in either of two roles:
 - As new members of the Alliance by subscribing to the original Alliance Contract under an Accession Agreement; or
 - As what is termed other “suppliers”, employed by the relevant Alliance member on behalf of the Alliance under the Supplier Alliance Subcontract, specifically designed to ensure suppliers benefit from the same Alliance culture. Bidders who have not entered into the Alliance Contract at the outset will be informed by the Alliance Board if they are being held in reserve.



7 Once the Alliance Contract is signed there is a process of “commercial alignment” to enable the client and the other Alliance members to agree and take ownership of “Alliance Principles” to (a) act in good faith and collaboratively in a spirit of mutual trust and cooperation, and (b) share common resources and supporting overhead facilities (as a “virtual company”). Governance and related arrangements within the Alliance Contract provide for:

- The Alliance Board, comprising nominated representatives of the client and the other Members
- The Alliance Manager, appointed by the Alliance Board,
- An Alliance Cost Manager
- Independent facilitation - IF (provided for within the contract and appointed by the client)
- Independent technical and financial risk assurance (usually supplied via the IF)
- Selection of the individuals from the Alliance Membership who will form the IPT
- Processes for management of opportunities and risks, with early alerts for potential (i) cost increases, (ii) delays, (iii) failure to meet the requirements for fitness for the defined purpose, the success criteria or a “best for project outcome”, or (iv) defects.
- Allocation of overhead and profit “ring fence sum” to be drawn down during Phase 2.



8 The heart of the Alliance Contract is the project process from selection through to completion and beyond. There are three Phases:

Phase 1: project preparation

From completion of commercial alignment (following signature of the Alliance Contract)

To the date when the Phase 2 Project Execution Plan (together with updated contractual information/data) are accepted, the IPI policy is incepted and full funding is confirmed.

Phase 2: project execution

From the above stage

To the date when Completion is achieved, financial closure is determined, the Phase 3 Project Execution Plan has been accepted, and the latent defects section of the IPI policy is incepted. If required, with completion in sections, an advance Phase 3 duration for each section and sequential inception of latent defects cover.

Phase 3: soft landings

Including seasonal commissioning support plus correction of agreed outstanding defects and the work/services in the Project Execution Plan.

From the above stage

To completion of the works and services in Phase 3, which is normally 12 months. As sustainability and low energy consumption become more of a focus, it is expected Phase 3 will extend in duration.

- 9 The logistics of the Alliance Contract require there to be an orderly progression in document development, predominantly during Phase 1 culminating in a suite of documents that confirm all the elements of the Alliance's agreed commitment to the project. The sequence is broadly as below:

In the Alliance Contract annexes as signed:

A: Alliance Data including:

- Brief description of the project
- Identities of the nominees for governance
- Payment and liability limitation data
- Alliance Principles (as agreed by the Alliance members)
- Confidential company data (in a separate Part 2)

B: Alliance Information Part 1 comprising:

- The Strategic Brief
- Success Criteria
- Investment Target
- Project Constraints

C: Commercial Model including:

- Cost structure and the components of cost
- Commercial alignment, the Target Cost and Remuneration
- The Incentive Scheme

- D: Model Trust Deed (for the Trust Account) and Accession Agreement (for members joining after the Alliance Contract was signed)

Subsequently, as developed by the client together with the other Alliance members and incorporated into the Alliance Information as Part 2 at the end of Phase 1:

- Project content and location(s)
- Project Execution Plan
- Suppliers
- Duties of the Alliance Board, Alliance Manager, Alliance Cost Manager, Integrated Project Team and the governance nominees

- 10 During Phase 1 the selected Members are paid on a cost time-charge basis with an agreed amount of overhead and profit, the remaining overhead and profit being incorporated in the Phase 2 payment. The Alliance will establish:

- A Project Execution Plan, including budget, strategies for procurement and supplier selection/engagement, procedures for quality management, safety, cost management, planning and resourcing, and training/team-building
- True and sustainable integrated collaborative working in the Alliance and IPT
- A register of opportunities and risks

- A project solution that will be fit for the purpose defined in the strategic brief and meet the success criteria within the agreed Investment Target, having regard to the client's preferences (subject to affordability)

- 11 These activities are performed in the knowledge that there is no guarantee that Phase 2 will be activated by the client and gain the backing of insurers. For example, the project solution and target cost put forward at the end of Phase 1 will be expected to (a) be "competitive" as compared with traditional programme timescales and cost benchmarks, and (b) contain adequate allowance for risk, both technical and financial. Although the project solution and target cost will have to win the support of the independent facilitator and risk assurers (and hence the funders and insurers), the IPT will be under "competitive tension" to secure the opportunity to go forward into the Phase 2 execution stage. The IPT chooses when the design has progressed sufficiently for the target cost to be tied down and the project solution to be submitted. All the skills are in the IPT and there is no requirement for the detailed design to have been advanced or completed before Phase 2 commences.

12 The contract provides a clear process for confirming the basis on which Phase 2 may proceed. Upon approval of the Alliance Board:

- A Phase 2 Addendum is signed with final versions of the Alliance Information, Alliance Data and Commercial Model, incorporating changes agreed in Phase 1, together with the IPI policy as approved by insurers;
- The independent facilitator and risk assurers endorse the Addendum;
- The IPI policy is taken out by the client on behalf of the Alliance, with retroactive effect to cover all activities undertaken on the project from the date work first began under it;
- Full funding is secured and confirmed by the client; and
- Phase 2 is commenced on a date fixed by the client and recorded in the Addendum (being a date prior to an agreed long stop date)

13 The client's right to terminate at the end of Phase 1 is unilateral, but if the designs are used within a specified period, then in addition to the time-charge costs of Phase 1 a fee for the intellectual property generated is payable.

14 Upon activation of Phase 2, the development of the design, plant selections, procurement of specialist services and systems, inter-trades programming etc. are within the control of the IPT. Contracts are entered into

by Alliance members with suppliers in accordance with the agreed execution plan approved by the Alliance Board. Full access to all activities is afforded to the independent facilitator and risk assurers – who will eventually have to give the project a “clean bill of health” before completion is certified by the Alliance Manager.

15 “Review Events”, which may trigger changes to data in the Commercial Model if they have, or are reasonably expected to have, a “significant effect on the time, cost, opportunities or risks” of executing the project, are mainly limited to:

- A material change to the Alliance Information proposed by the client
- A change of law
- An event of Force Majeure
- Access denied in whole or part by the client
- Agreed “Client's Risks”
- Suspension, “wilful default” or insolvency by the client
- The client taking possession before completion.

16 Completion is achieved, upon confirmation by the independent technical risk assurer (“TIRA”), when:

- All works and services as specified in the Phase 2 Project Execution Plan have been completed (excepting correction of any defects which the client agrees can be corrected in Phase 3) and

- The project has been proved to be “fit for the defined purpose”.

If completed in sections, each section is separately confirmed as complete with correction of defects (other than latent defects) included in Phase 2 costs for an agreed period.

17 In the last full payment cycle following completion, the Alliance Manager in consultation with the independent financial risk assurer (“FIRA”), reconciles the final outturn cost (including a “reserve” – see below) against the target cost and issues a financial statement to the Alliance Board for approval. Once agreed, payments are made through the Trust Account; disagreements or withholding of approval/endorsement are referred to expert determination.

18 Again, the contract provides a clear process for confirming the basis on which Phase 3 may proceed. Upon approval of the Alliance Board an Addendum for Phase 3 is signed with:

- The certificate of Completion as signed by the Alliance Manager and counter-signed by the independent risk assurers;
- A Phase 3 Project Execution Plan and “reserve” – which has been agreed by the Alliance Members as adequate to cover rectification of the above defects, together with other post-completion activities such as seasonal commissioning; and any sectional completion activities that remain outstanding at completion



- Any other documents, such as a special incentive arrangement for life-cycle performance.

- 19** Payment throughout the three Phases is made through a project trust account, which is set up by an Alliance member and operated by the Alliance Manager on behalf of the Alliance (in accordance with its Trust Deed), with payments out being made directly to:
- The Alliance members in accordance with the payment terms in the Alliance Contract,
 - “Named suppliers” who are sufficiently important to be direct beneficiaries of the project trust account.

and indirectly to all other suppliers in accordance with their contracts with Alliance members.

The Commercial Model provides the following assessment rules:

- Payment in Phases 1 and 2 is made on an actual cost incurred basis in accordance with the commercial rules and data in the Commercial Model.
- The ring fence sum covering company overhead and profit is drawn down during Phase 2 in a pre-agreed manner that incorporates remaining overhead and profit relating to Phase 1.
- In Phase 3 payment is made from the

agreed “reserve” as already described.

- 20** If the final outturn cost assessed by the Alliance Manager from time to time is such that contributions have become / are becoming due from:
- Members by way of pain-share (the total pain-share amount being equivalent to the excess under the IPI Policy); and
 - Insurers under the IPI Policy where the maximum pain-share is expected to be incurred

Then appropriate amounts are deducted from payments due to the members under the Alliance Contract and/or paid out of the policy.

- 21** The maximum liability of each Alliance member is therefore limited to his pain-share (in the absence of fraud or wilful default).

- 22** The remainder of the Alliance Contract covers:
- Liability and insurance (see next section)
 - Exclusion from the Alliance
 - Suspension and termination
 - Intellectual Property Rights and confidentiality
 - Dispute resolution: adjudication or, in the case of the final outturn cost, expert determination (valid also for recoveries under the IPI Policy)
 - Funder step in rights.

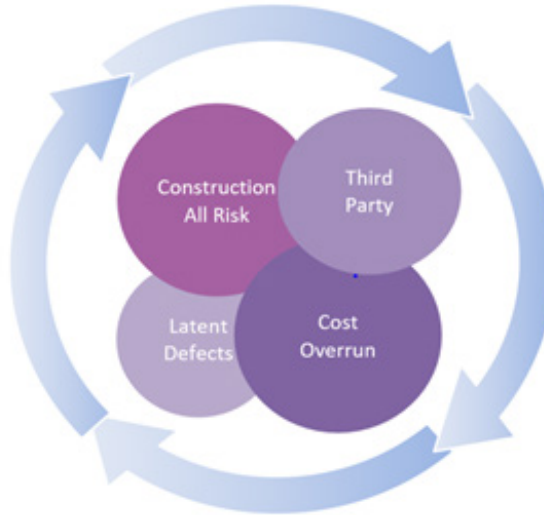
SECTION 4 - HOW THE IPI POLICY WORKS

IPI POLICY

1 Integrated Project Insurance is an innovative insurance product which gives the IPI Model its name. It collectively insures the client and all the other Alliance partners: consultants, specialists, manufacturers, constructors and their supply chains. In particular it replaces liability-driven professional indemnity insurance (which requires proof of fault before responding) with cost overrun cover where the outturn cost above the target cost plus pain-share is insured.

2 IPI is only available as part of the IPI Model which is founded on the principle of a new and transparent partnership with insurers. In granting cover the insurers will have had regard to the following fundamental principles which the Alliance members (including the client) intend to comply with when undertaking the project:

- The Alliance members embrace fully integrated collaborative working and act in a spirit of mutual trust and co-operation at every stage of the project and comply with the alliance principles agreed in the Alliance contract.
- There are mutual no-blame/no claim undertakings; and whatever percentage



One Team – Seamless Cover

share you take of gain, the same must be your share of pain.

- All decisions are taken on a “best for project” basis.
- There is independent facilitation and financial/technical independent risk assurance at all stages of the project.
- The performance of the Alliance members will be measured against agreed success criteria.
- The Alliance members will work on

an open book basis and seek ways of driving down costs and maximising gain-share by over-achieving against the success criteria.

- There will be no distinction or barriers between the design and construction elements of the project as all members will be working as a single integrated team.

3 In parallel with the Alliance members and their supply chains waiving rights to claim against each other, the insurers waive rights of subrogation against all the insured at every tier.

4 Under the IPI model the emphasis is on collective and transparent governance:

- When the IPT is satisfied that its preferred project solution and target cost will be fit for the purpose defined in the strategic brief and meet the prioritised success criteria within the pre-agreed investment target, it puts it forward for approval.
- The IF, and TIRA and FIRA, if respectively satisfied that the IPT is indeed collaborative and that its preferred project solution and target cost have

adequate allowance for technical and financial risks, give endorsement to the client and insurers.

- When accepted by the client and insurers, this project solution and target cost is insured under the IPI Policy.
- The IF and TIRA/FIRA remain involved and engage openly and collaboratively with the IPT during design development, procurement, construction and completion/proving. If the IPT does not adequately resolve issues of concern raised by the independent assurers, the assurance team reports to the Alliance Board and, if they are still not satisfied with the solution put forward, have the right to recommend to the insurers that the associated risk be excluded from coverage under the policy. This exclusion may relate to the target cost up to completion or the latent defects cover thereafter.

5 By virtue of the involvement of the IF, TIRA and FIRA, insurers have a close project relationship under the IPI Model. In essence they can have confidence based on independent expert advice that:

- The members of the IPT and their supply chains are suitable
- They are adopting behaviours which will result in the efficient use of resources
- Project solutions and target costs provide adequately for technical and financial risks
- A realistic and achievable project execution plan is being followed
- Outturn costs are necessarily incurred

And they will receive early alerts to problems and potential overspends and can participate in decisions over mitigation.

- 6 In return, insurers are prepared to agree a wider range of cover than under traditional project policies; they have an overview of all potential risks and are in a better position to understand them. IPI insurers have been carefully selected by the brokers; their contracts are subject to utmost good faith; and they are expected to recognise and fund overspends promptly after they have been identified and verified by the FIRA.
- 7 Until the IPI product is fully established and a much-simplified integrated format can be developed, the IPI policy comprises:
 - Construction All Risks (including Terrorism Extension)
 - Third Party Liability (including Non-Negligent Liability)
 - Delay in Completion (resulting from damage under CAR)
 - Cost Overrun cover and
 - Latent Defects cover (for 12 years) – a “no fault” commercial latent defects insurance policy.

This use of known products is seen as an advantage in the early days of IPI as those who will benefit from the cover are better able to relate to the protection they are used to seeing.

- 8 The cost overrun cover under the IPI policy has an agreed cap (limit of insurers' indemnity), and its exclusions are limited to

‘normal industry exclusions’ which are:

- Nuclear and war risks and sonic bang
- Wilful default
- Client's risks
- Change of law
- Any other exceptional exclusions relating to the particular circumstances of the project.

- 9 Under the IPI Model each Alliance member participating in the gain-share/pain-share mechanism in the Alliance contract knows that their loss is limited to their pre-agreed share of the maximum pain-share. The benefits deriving from this policy mean that parties do not need to rely on their omnibus insurances and the cost of these is excluded from the build-up of their overhead costs for the project, thus avoiding unnecessary cost duplication.

Steve Johnson, Executive Director of Estates and Capital Projects

“We were never trying to save money, we were trying to get the best value for the money we were spending and not be presented with a post project bill – to close down the risk of cost overrun, cost dispute - that worked!...The quality of the building for what we spent is super, brilliant...It's probably the best quality building we've got per pound, per square metre.”

IPInitiatives
Collaboration Without Barriers

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