

CONTRACTUAL RISKS

BROKER PLAYBOOK

VICTOR CONTRACT SIFTER



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VICTOR CONTRACT SIFTER

This market-changing new offering combines Victor’s insurance coverage and risk management expertise with LegalSifter’s artificial intelligence-powered contract review software.

Victor Contract Sifter delivers insureds a fast and easy way to spot potential coverage issues and receive actionable guidance on common issues that relate to insurability in professional services agreements. Victor is leveraging AI to expand the accessibility of its contract review services and to provide your clients with access to real-time and practical risk management guidance.

The software uses AI, in the form of “Sifters,” which are trained to read text and identify important and relevant insurability concepts in contracts. The Sifters learn from user feedback and improve over time. Victor’s in-context expert advice regarding issues of professional liability is embedded in the product and is available to users in every Sift. Design firms will routinely “Sift before they sign” as part of the contract review and negotiation process, and in turn, embed good risk management practices into their culture.



PRODUCT BENEFITS



Victor Contract Sifter offers:

- **Issue spotting and in-context expertise:**

After a professional services agreement is uploaded into Victor Contract Sifter, within minutes, the product identifies common insurability and practice management issues and offers Victor's guidance on those issues, including:

1. an explanation of the concept or issue;
2. professional liability or insurability concerns associated with the issue;
3. a recommended response and;
4. sample language.

- **Efficiency and standardization:**

AI-powered issue spotting speeds the process of contract review. Over time, users will gain lasting insight into key issues and learn how to respond effectively to those issues as they negotiate contracts. This approach to contract review may reduce risk and increase standardization of contract terms.

- **An effective training tool:**

The product serves as a great teaching tool for contract reviewers who may not be familiar with liability issues in the design and construction industry.

- **A complete solution:**

The final redlined document with commentary can be exported out of the application as a Word document. The edited redlined document with proposed modifications can be sent as an attachment to clients, which will ease the contract negotiation process.

PRODUCT LIMITATIONS

Victor Contract Sifter does not:

- **Review all types of contracts:**

The product is optimized for the review of design firm professional services contracts. The issue spotting and expertise in Victor Contract Sifter are applicable to only these types of contracts. Victor Contract Sifter should not be used for the review of—or expect to receive appropriate risk management guidance for—other industry-related contracts such as Lender Consents to Assignments, NDAs, Joint Venture Agreements, Teaming Agreements, Lien Waivers, real estate or rights of way acquisition services or other non-professional service contracts.

- **Substitute for human judgment:**

The AI does not tell users whether the issues it has spotted in a contract are good or bad; the AI flags the issue and Victor’s added expertise within the product helps users determine how to respond to these issues. In other words, the AI predicts the issues present in the contract and users—with the help of Victor—make a judgment on how to respond to those issues. As a reminder, Victor’s expertise provides succinct guidance related to four areas:

1. Issue
2. Concern
3. Response
4. Sample language

The guidance may also provide a hyperlink to other resources on the topic.

- **Substitute for legal advice:**

This is not a legal review; it is a review of general insurability issues and other common practice management issues, such as copyright protections.



FREQUENTLY ASKED QUESTIONS

1. How can my design & construction clients gain access?

If your clients have a Victor website account, they just need to login at <https://www.victorinsurance.com/us/login.html> and select Contract Sifter. They can then continue onto Victor Contract Sifter and start sifting.

If your clients do not have a Victor website account yet, they just need to visit the Victor website at <https://www.victorinsurance.com/us/login.html> and select "Register" to create an account. Once their Victor website account is verified and set up, they will receive access to Victor Contract Sifter within a few business days.

2. What is a Sifter?

Sifters are artificial intelligence (AI) algorithms that are trained to read text and look for a specific concept. They learn from experience and improve over time. LegalSifter's Sifters use two types of artificial intelligence to solve this problem: machine learning (ML) and natural language processing (NLP). NLP teaches computers to interpret human language as written, regardless of style. LegalSifter's Sifters use NLP to convert text into meaning. LegalSifter trains their Sifters with machine learning to identify a specific concept, like a consequential damages waiver. Their lawyers find hundreds or thousands of examples of a specific concept. Their Data Science team uses machine learning to find the intangible thread that binds the writing of lots of lawyers, all with their own grammatical flair. As more of their clients use the Sifters, they improve.

3. How are Sifters built?

It is a 9-step process involving 2 to 3 attorneys and 1 to 2 Data Scientists. It takes the LegalSifter team between 3-5 weeks to build a Sifter. The attorneys review thousands of sentences or phrases that may or may not address the concept covered (usually from 500+ private and public contracts from around the world). When the attorneys have sufficient data, they pass the data over to their data scientists, who then build the machine learning algorithm that uses natural language processing—the Sifter. When their data scientists believe they have hit the quality thresholds established by the LegalSifter team, the Sifter goes through final testing and then is launched into production.



4. How accurate is Contract Sifter?

It performs well when Sifting professional services agreements with clients. This tool is optimized for professional services agreements in the prime position contract structure. If this tool is being used to Sift a prime-subconsultant professional services agreement, be aware that the user may also be agreeing to uninsurable and unmanageable risks in the prime agreement that flow down directly to them so the user may want to consider Sifting those professional agreements as well. Note, this tool is optimized for a traditional design-bid-build contractual structure. It could work for design-build (DB) contracts when the user is a subconsultant to a DB contract, but it's important to note that DB has its own unique practice management issues and the Sift isn't optimized for all of those issues.

5. What types of AI are used in the Victor Contract Sifter tool?

There are two types: machine learning and natural language processing.

6. Do Sifters make mistakes?

Sifters are trained to read text and look for a specific concept. They learn from experience and improve over time. The Sifters do their job extremely well, but they may still make mistakes from time to time. If a user spots what looks like a Sifter error, they can report it to us using the Sifter Trainer. Please refer to this help article for instructions on where to find/how to use the Sifter Trainer. After a Sifter error is reported to the Sifter Trainer, our software partner will retrain the Sifter in 5 to 10 business days to ensure the Sifter never makes the same mistake again.

7. How does this service compare to human reviews?

User data is secure. Our software partner, LegalSifter, currently hosts Victor Contract Sifter (and LegalSifter's other applications) at Amazon Web Services (AWS) Northern Virginia. AWS data centers are state-of-the-art, housed in non-descript facilities, but controlled physically with the strictest of processes. LegalSifter also encrypts data at rest and deploys its solutions (including Victor Contract Sifter) as software-as-a-service with multi-tenancy. Unique login keys are used to ensure that users are only able to access data that is available for and associated with their account. To learn more about what LegalSifter does to keep data safe, please visit LegalSifter's [Cloud Security Page](#).

8. Where is user data stored and is it secure?

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9. Does Victor Contract Sifter use contracts for Research & Development (R&D) purposes?

LegalSifter asks permission from their clients to use data from their contracts for R&D purposes, including building out additional Sifters and improving existing Sifters. More than 75% of clients opt-in.

10. Will Victor have access to the contracts being Sifted? How is Victor maintaining confidentiality?

As administrators of the program, Victor can monitor which users are running Sifts and the names of the contracts being Sifted, but will not have access to the contracts themselves.

11. How many issues/concepts are flagged by Victor Contract Sifter? There are 27 flagged issues/concepts:

- > Arbitration
- > Consequential damages or loss
- > Dispute resolution
- > Governing law
- > Indemnification: Defending claims
- > Indemnification: Infringing the intellectual property of others
- > Indemnification: Negligence
- > Indemnification: Obligation to indemnify
- > Insurance: Additional insured, references to
- > Insurance: Cyber, references to
- > Insurance: Professional liability, errors and omissions, reference to
- > Intellectual property: Ownership and no transfer
- > Jurisdiction: Establishing jurisdiction
- > Legal fees: Dispute
- > Limitation of liability: Cap on liability
- > Liquidated damages
- > Mediation
- > Negotiating disputes
- > Ownership of deliverables
- > Safety: responsibility for safety program
- > Services: standard of care
- > Supplier code of conduct (esg)
- > Time is of the essence
- > Waiver of jury trial
- > Warranty: Fitness for a particular purpose
- > Warranty: Merchantability
- > Work made for hire

About Victor

Victor Insurance Managers LLC is the world's largest managing general underwriter with locations in the US, Canada, UK, Netherlands, Germany, Italy, and Australia. It handles more than \$2.5 billion USD in premium on behalf of numerous insurance carriers, through a large network of more than 25,000 active insurance agents and brokers. With deep, specialized underwriting expertise, the company provides a wide range of insurance coverage—from specialty property and casualty and professional liability insurance to group and retiree benefits. Victor is committed to building on 60-plus years of experience to develop products that address risk in new and evolving areas. For more information, visit victorinsurance.com.

For more information about the tool and how your clients can gain access, reach out to your Business Development Contact.

Visit us at Victor Risk Advisory to learn more.

This document is for illustrative purposes only and is not a contract. It is intended to provide a general overview of the program described. Please remember only the insurance policy can give actual terms, coverage, amounts, conditions and exclusions. Program availability and coverage are subject to individual underwriting criteria.

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