

Criteria When Selecting An Insurance Carrier

Similar to design firms, insurance carriers have specialties as well. It is critical design firms evaluate and select an insurance carrier that specializes in design professionals as well as offers coverage features and risk management services consistent with the firms practice and project types. Firms are encouraged to use the same quality selection process for an insurance carrier they would use for any other business partner.

Key Evaluation Categories

1. Experienced A/E Underwriting Staff: While the number of carriers has increased in the marketplace today, there is a limited talent pool of experienced, knowledgeable A/E underwriters. Look for carriers that have frontline underwriters with at least 10 years of experience in the specialized architects, engineers (A/E) and environmental consultants professional liability (PL) insurance market.

2. Claims Management: Experience specifically in the A/E market is critical for claims managers and the selection process used by carriers of panel counsel. It is vital firms inquire into the amount of claim management experience their staff has as well as the practices they use (Ex. settling a claim, use of reservation of rights letters, etc). Look for carriers that have claims managers with at least 10 years of experience managing A/E professional liability (PL) claims.

3. Pre-Claims Assistance: This service provides guidance for firms when things “may” be going wrong and need assistance when no formal claim has been filed against the firm. This service should be at no cost to insured’s. The practices, quality and capability of pre-claims services can vary greatly among the carriers.

4. Risk Management Program: Such programs indicate the carrier’s commitment, knowledge, and interest in assisting firms in managing and mitigating risk. Training and guidance should be provided to help firms identify and manage exposures in today’s marketplace. This includes relevant topics on claim trends, insurance coverage’s, contract terms as well as offering contract review services. Certain carriers offer extensive programs; while others do not see the value and offer limited or no risk management services.

5. Industry Feedback: Obtain feedback from other design firms as well risk managers and other industry professionals: Does the carrier have a positive reputation for coverage, and services? What is the renewal rate for the carrier with firms that have had claims? Does the carrier have an excellent reputation for claims handling? One resource is ACEC's Annual Professional Liability Survey of insured's. The survey includes firms' satisfaction with carriers' risk management programs, pre-claims, and claims-handling processes.

6. Carriers' Financial Stability: A vital factor in today's economic environment is evaluating and confirming the carrier's financial stability. What impact has or is the financial environment having on the insurance carrier? Is it affecting their debt and financial strength as assessed by A.M. Best Company, Standard & Poor's, Fitch Ratings, and Moody's Investors Services? Is the carrier's rating under watch, and/or has it been reviewed with a positive or negative outlook?

7. Time in the Industry: This is important category and indicates a pattern of success for longer-term carriers. However, with that said, "some" of the newer carriers have hired experienced personnel from competitors and the long-term providers in developing their program. It is always a good practice to request information about the underwriters' experience, carrier's track record, abilities, commitment and performance.

Conclusion

When firms focus on risk management practices, it improves the overall performance of the firm on their projects. For that reason, risk management should always be a priority, not just viewed as a line-item business expense. A very important aspect of those efforts is the selection of your PL insurance carrier. Make sure you evaluate an insurance carrier the same way you would any other project team member or business associate. It is important they have the background, experience and knowledge in this specialized insurance market.

Notice to Readers: This article is intended for general discussion and information on the subject, and should not be taken as specific guidance. Readers are cautioned to consult appropriate advisors for guidance applicable to their individual circumstances.

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