

PRONETWORK NEWS

Risk Management Tools for the Design Professional

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Sandip R. Chandarana, J.D., CPCU, RPLU is the Director of Professional Underwriters Agency (PUA), a division of NSM Insurance Group — the nation's leading specialty insurance provider. PUA specializes in underwriting Architects and Engineers (A&E), Design Build & Contractors and other lines of non-medical Professional Liability/Errors & Omissions insurance.

With more than 100 years of combined underwriting experience, Sandip and the PUA team bring unparalleled expertise in A&E liability insurance to the table, helping agents deliver best-in-class insurance and risk management solutions for design professionals.

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Why Quality Insurance Carriers and Claims Expertise Matter More Than You May Think

By Sandip R. Chandarana, Director, Professional Underwriters Agency

Business-minded design professionals know that all professional liability insurance isn't created equal. That doesn't mean it's not tempting to save some money with a "deal" that appears to provide adequate coverage for your firm. After all, you would still have coverage, be able to provide clients your certificate of insurance and get some protection in the event that you need to file a claim, right?

This reasoning is not only myopic, but it can also unintentionally cause lasting damage to your firm. While the realities of business need to come into play when evaluating an insurance strategy, firms should never gamble when it comes to their professional liability carrier.

The Importance of a Quality Insurance Carrier

The caliber of the carrier partner you choose to work with has an impact far beyond their ability to pay potential claims. That's because:

- **Bait-and-switch carriers still exist.** They quote an irresistibly low premium to get you in the door. Then they drive up the price come renewal time knowing it requires a significant effort to switch providers and that firms without a tight grip on their expenses may not even notice. Beyond paying much more than you initially bargained for — often more than you would if you chose a quality carrier to begin with — the unexpected, hefty increases can wreak havoc on a firm's budgeting and expenses. Not to mention, service and claims handling, both of which are critically important, are often subpar with less reputable carriers.
- **Carriers come and go in the marketplace.** While there are well-established carriers that have demonstrated longevity in the A&E market, there are also more than a few carriers that have entered and subsequently quickly exited the market. Best case scenario is that you're left with a project on your hands to find a new insurance partner. Worst case, a fly-by-night carrier botches a claim, resulting in a much larger claim payout than would have been incurred had the claim been handled properly. Not only are you left high and dry, you'll also be paying the price for the mishandled claim for years to come as it will show on your loss run, resulting in higher rates from any potential new carriers.
- **Hardening insurance market conditions mean less capacity.** After more than a decade of soft market conditions, losses are catching up with carriers, resulting

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Crisis Response: An A/E Action Plan, by David Ericksen

The recent and tragic Miami condo collapse has provoked numerous inquiries what should any design professional do in the event of such a tragedy. Although dramatic, it was not the first such incident and unfortunately it will not be the last. The following is a five-step plan for consideration by any design professional individual or firm before, during, and after such an event. [Read More](#)

Avoiding the Nonpayment Quagmire, by Patrick St. Pierre

There are two types of design professionals: those who have been stiffed by clients and those who will be. This pithy truism leads to another: obtaining payment for your work is your professional responsibility. Suing for unpaid fees is not equivalent to securing payment in the first place as the mire of litigation will assuredly squander the project's original profitability. [Read More](#)



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in a hardening marketplace. This is when we typically see an exodus of carriers from the insurance marketplace. Non-renewals for A&E firms are becoming increasingly common, and with less capacity in the market, it can be a real challenge to find the coverage and limits you need. Working with a carrier upfront that is fully committed to serving the market allows you to sidestep this search and focus on your work at hand.

- **There's value in specialized industry expertise.** Architects and engineers face a unique set of risks, and it's imperative that your insurance carrier has experienced underwriting and claims teams that fully understand your business. Understanding the nuances of those risks and having the specialized appetite, industry insight and experience helps effectively protect firms from all of the potential what ifs that are relevant to their world. Rather than worry about a potential gap in coverage or being blindsided by an emerging risk, you can rest easier knowing that you have specialized insurance experts working for you.

Evaluating the Strength of Your Insurance Provider

Having a more holistic understanding of a carrier's impact on your business helps in the vetting process of potential partners and may give you more confidence about working with your current provider. Key points to investigate include:

- Does the carrier have an A+ A.M. Best rating, indicating the carrier is financially stable?
- How long has the carrier been in business — and been focused on the A&E market?
- How many years of experience does the underwriting team have in the A&E space?
- Do they offer every potential coverage your firm may need, including excess limits coverage if/when you need it?
- What have rate increases looked like over the past three to five years?
- What type of customer service support do they offer?
- What type of claims support do they provide?
- What value-added resources do they offer?

Embracing a Culture of Risk Management

Embracing a culture of risk management puts you in a position of strength when evaluating insurance partners, as fewer claims mean lower loss ratios for carriers and lower premiums for you. Your insurance carrier should provide the necessary tools to complement and enhance your efforts.

For example, at Professional Underwriters Agency (PUA) — a program that specializes in underwriting professional liability insurance for architects, engineers, design build and contractors — our policyholders receive unlimited contract reviews from top construction lawyer J. Kent Holland and Construction Risk, LLC, as well as newsletters, a toll-free risk management hotline and quarterly webinars that provide continuing education credits for licensed architects and engineers. That's value that adds up quickly!

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The High Stakes of Claims Management

When it comes to claims, the stakes are typically high end, unfortunately, missteps can haunt you for years to come. Keep in mind:

- **A claims team's expertise can make or break outcomes.** The way a claim is managed can have a direct effect on the severity of damages and legal expenses. Even minor claims, when managed poorly, can turn into seven-figure settlements. This is where factors like responsiveness, pre-claims assistance, shrewd legal expertise and experience navigating similar claims come into play. This type of expertise can help ensure claims are managed fairly and minimize the scope of claims made on your policy.
- **Your loss run is on the line.** When claims aren't managed as well as they could be, it's the carrier that pays in the short term. However, the policyholder is the one stuck with a claim that's more costly than it should be on their loss run. When it comes time to renew or if they decide to shop for a new policy, they're penalized for years to come with a much less desirable risk profile and, ultimately, what can be significantly higher premiums.
- **Claims are a financial, reputational and emotional burden.** With any claims scenario, it's not only dollars and cents on the line. There's also reputational risk and the emotional toll of going through a nerve-wracking, unfamiliar process for most design professionals. When you have a claim, you deserve to feel secure knowing your insurance provider has the expertise to guide you every step of the way. That's the premium you pay for.

Identifying the Claims Expertise You Deserve

So how can you tell if your insurance provider's claims expertise is as good as they say it is? Find out:

- How many claims representatives, including attorneys, are on staff?
- What are their qualifications? (It's perfectly acceptable to ask for bios.)
- Does the provider offer pre-claims assistance to guide policyholders through difficult situations that don't yet entail formal claims?
- Is the provider open to accepting a policyholder's choice of counsel?
- Which law firms are on their panel listing?
- What is the carrier's reputation among the legal community when it comes to managing and paying out claims? (Ask your defense counsel.)

The insurance landscape for design professionals is more challenging than ever, but partnering with an agent or broker that's dedicated to serving the A&E market — such as the experts of a/e ProNet, who represent more than 16,000 A&E firms nationwide — can help ensure you're set up for success.



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