



# Insurance 101:

## Basics of Insurance for Architects and Engineers

Presented by:  
James Murphy, CPCU, ARM  
Zachary Waters

### DISCLAIMER



We are Insurance Brokers, not Attorneys. Dealey, Renton does not offer legal advice. This material is provided for informational purposes only. You should always confer with a qualified professional who can provide guidance that considers your unique circumstances before taking any action that could have legal or other important consequences.



## WHY DO DESIGN PROFESSIONALS PURCHASE INSURANCE?



- ▶ Contractual Requirement
- ▶ Asset Protection
- ▶ Ease of mind (“So you can sleep at night”)
- ▶ Other.....

## DESIGN PROFESSIONAL INSURANCE COVERAGES

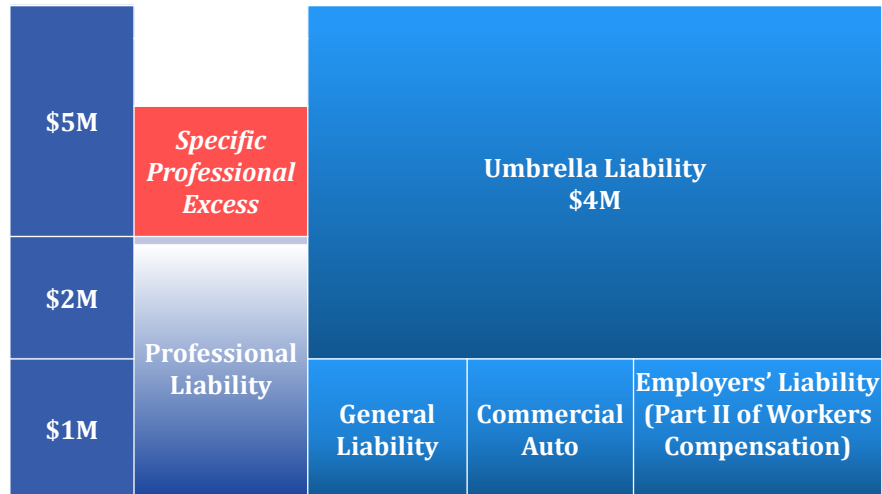


- |                                  |                                   |
|----------------------------------|-----------------------------------|
| ▶ Professional Liability*        | ▶ Fiduciary Liability             |
| ▶ General Liability*             | ▶ Crime                           |
| ▶ Automobile Liability*          | ▶ Cyber Risk                      |
| ▶ Workers Compensation*          | ▶ Railroad Protective             |
| ▶ Umbrella Liability*            | ▶ Project Insurance(s)            |
| ▶ Property*                      | ▶ Business Travel/Kidnap & Ransom |
| ▶ Inland Marine                  | ▶ Foreign Packages                |
| ▶ Drone & Aircraft               | ▶ Bonds                           |
| ▶ Boat & Watercraft              | ▶ Others.....                     |
| ▶ Directors & Officers Liability |                                   |
| ▶ Employment Practices Liability |                                   |

**\*Represent coverages we will discuss**



## DESIGN PROFESSIONAL INSURANCE PROGRAM STRUCTURE



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## COMMON CONTRACTUAL INSURANCE REQUIREMENTS



### ➤ Coverages:

- ❖ General, Auto, Umbrella/Excess & Professional Liability
- ❖ Workers Compensation

### ➤ Endorsements:

- ❖ Additional Insured
- ❖ Waiver of Subrogation
- ❖ Primary & Non-Contributory
- ❖ Contractual Liability
- ❖ 30-Day Notice of Cancellation/Material Change

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## COMMON INSURANCE REQUIREMENTS



POLICY:	Insurance Coverage			
	Additional Insured	Waiver of Subrogation	Primary & Non-Contributory	Contractual Liability
General Liability	Yes	Yes	Yes	Yes
Auto Liability	Yes	Yes	No	Yes
Workers' Comp	No	Yes	No	No
Professional Liability	No	Yes	No	No
Umbrella / Excess	Typically follows provisions included in underlying GL, AL and WC policies			

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## CERTIFICATE OF INSURANCE



Chemp. 13782

**ACORD - CERTIFICATE OF LIABILITY INSURANCE**

DATE 10/13/2015

PRODUCER: Dealey, Renton & Associates  
P.O. Box 19075  
Oakland, CA 94604-2675  
916 463 3090

INSURED: Mr. Test Oakland  
P.O. Box 12078  
Oakland, CA 94604

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY. IT DOES NOT CONFER ANY RIGHTS OR OBLIGATIONS. THE POLICY OR POLICIES COVERED BY THIS CERTIFICATE ARE NOT AMENDED, EXTENDED OR ALTERED BY THE COVERAGE AFFORDED BY THIS CERTIFICATE.

INSURANCE AFFORDED COVERAGE:

INSURANCE	INSURANCE COMPANY	NAIC #
General Liability	Harford Insurance Group	32578
Automobile Liability	Harford Insurance Group	32578
Professional Liability	Harford Insurance Group	32578
Umbrella / Excess	Travelers Property Casualty Co.	32674

COVERAGE:

TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE	POLICY EXPIRATION DATE	LIMITS
General Liability	0750A125475	10/31/15	10/31/16	General Liability: \$11,000,000 Products & Completed Operations: \$11,000,000 Contractual Liability: \$11,000,000 Aggregate: \$11,000,000
Automobile Liability	0A3340L167	06/06/15	06/06/16	Bodily Injury: \$11,000,000 Property Damage: \$11,000,000 Medical Payments: \$11,000,000 Uninsured Motorist: \$11,000,000
Professional Liability	0750A125475	10/31/15	10/31/16	Professional Liability: \$11,000,000 Aggregate: \$11,000,000
Umbrella / Excess	0750A125475	10/31/15	10/31/16	Umbrella / Excess: \$11,000,000 Aggregate: \$11,000,000

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## PROFESSIONAL LIABILITY INSURANCE



**What is it?:** Protects the firm and employees against claims alleging negligent acts, errors or omissions in the performance of professional services

**What is covered?:**

- Bodily Injury
- Property Damage
- Economic loss

**What is not covered?:**

- Intentional damages, dishonest acts, willful misconduct
- Contractual Liability (Duty to Defend, Elevated Standard of Care)
- Express Warranties & Guarantees
- Products Liability

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## PROFESSIONAL LIABILITY INSURANCE



### Key Elements of a Professional Liability Policy:

- Claims-Made Coverage Form
  - ❖ Retroactive Date
- Defense Included within the Policy Limit
  - ❖ Sometimes called “Eroding” or “Wasting” limits
- Deductible/Self-Insured Retention (SIR)
- Joint Ventures
- Territory
- Predecessor Firm(s)

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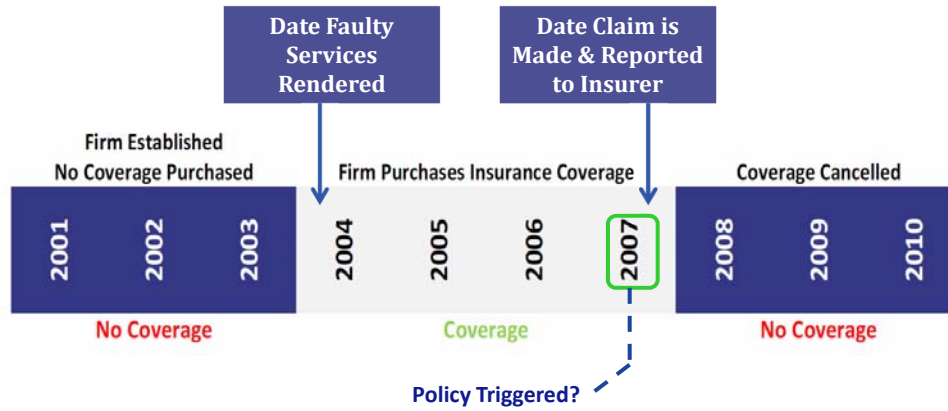
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## CLAIMS-MADE INSURANCE



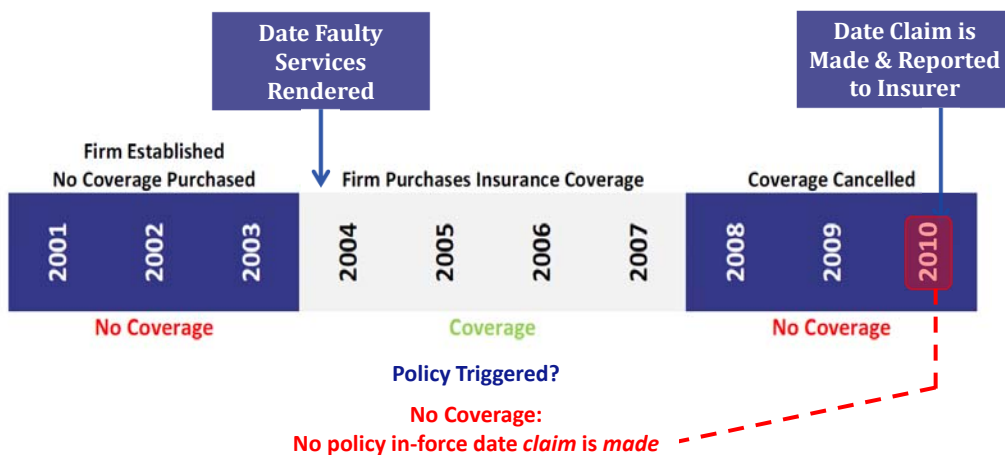
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## CLAIMS-MADE INSURANCE



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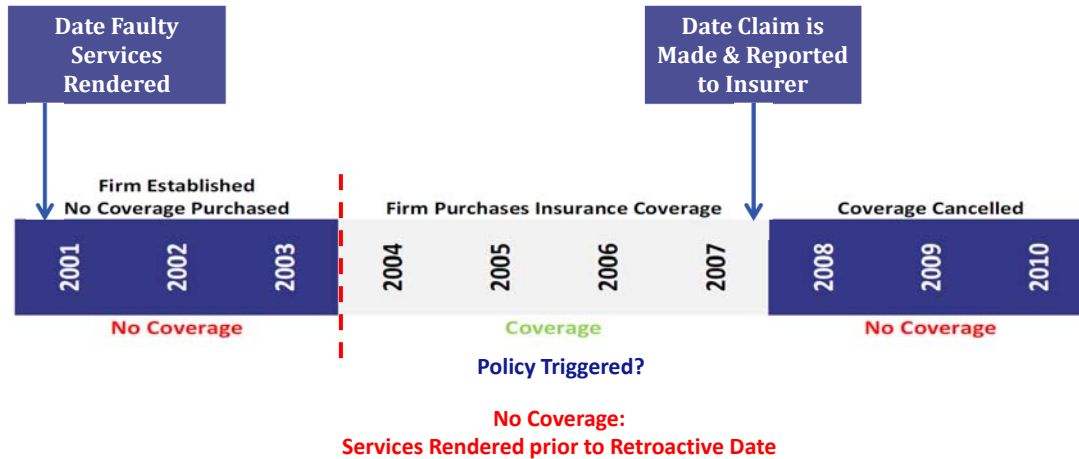
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## CLAIMS-MADE INSURANCE



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## PROFESSIONAL LIABILITY LOSS PREVENTION SUGGESTIONS



- **Selection** – Clients & Projects
- **Communication** - Internal and External
- **Written Contract** (required by law!)
  - Limitation of Liability Clause
- **Reciprocal Waivers/Hold Harmless, etc.**
- **Clearly Defined Scope of Services**
  - Both what will be provided as well as what will not be provided
- **Certificates of Insurance**
  - From all subconsultants, annually
- **Loss Prevention Education Programs**
- **Ask About the Unusual and Report Actual and Potential Claims Early**

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## COMMERCIAL GENERAL LIABILITY



**What is it?:** Protects the firm and employees against bodily injury and property damage claims arising out of non-professional services

**What is covered?:**

- Bodily Injury
- Property Damage

**What is not covered?:**

- Expected or intended injury
- Economic Loss
- Professional Services
- Pollution
- Covered by other insurance

## COMMERCIAL GENERAL LIABILITY

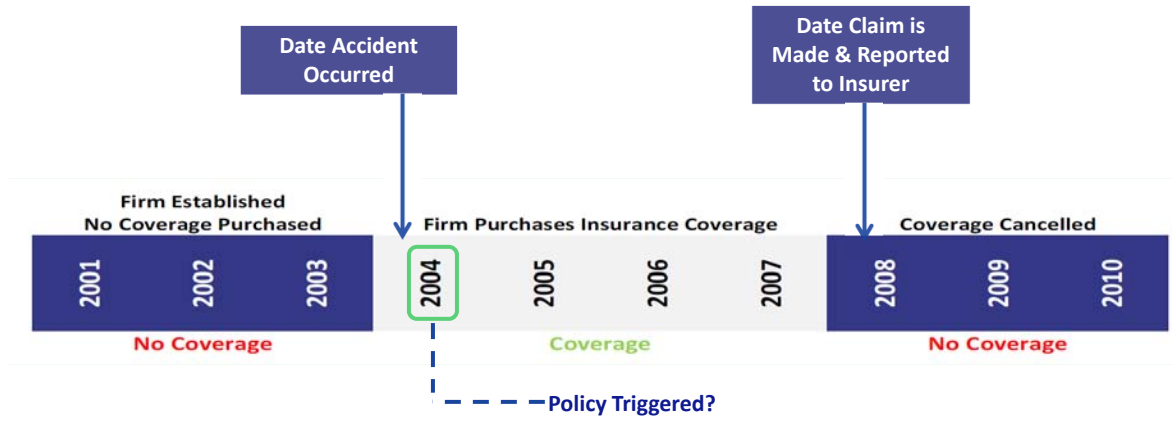


### Key Elements of a General Liability Policy:

- Occurrence coverage form
- Limits
- Deductibles
- Defense Outside the Limit



## OCCURRENCE FORM INSURANCE



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## COMMERCIAL AUTOMOBILE



### Two Basic Auto Coverages:

- **Auto Liability** – claims/suits brought by others
  - Bodily Injury / Property Damage
  - Ownership, maintenance or use of covered autos
- **Auto Physical Damage** – vehicle damage (subject to deductibles)
  - Comprehensive – physical damage other than Collision
  - Collision – Collision with another object or overturn of vehicle
- Other Coverages:
  - Uninsured/Underinsured motorist
  - Medical Payments

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## COMMERCIAL AUTOMOBILE



### Auto Insurance Rule #1

#### *Insurance follows the vehicle*

- Auto insurance provided by the registered owner of the vehicle and
- The insurance follows the vehicle regardless of operator

## COMMERCIAL AUTOMOBILE



### **What Autos Can Be Insured?**

Owned Autos: *Registered To / Owned by the Company*

- **Non-Owned Autos:** i.e. *Employee's Vehicles Used on Business*
  - Autos the firm does not own, lease, hire rent or borrow used in connection with firm's business. This includes autos owned by employees or partners or members of their households but only used when used for firm business.
- **Hired Autos:** *Short Term Lease/Rental*
  - Autos the firm leases, hires, rents or borrows. This does not include autos the firm leases, hires, rents or borrows from employees or partners or members or their households. (See Non-Owned)



## COMMERCIAL AUTOMOBILE



### Company Owned Autos

- Company Liability & Physical Damage – Primary
- Other Coverages – UM, Med Pay, etc., provided as purchased

### Personally Owned Autos

- Employee's Liability & Physical Damage insurance - **Primary**
- Company Liability – Excess / Physical Damage – None

### Hired/Rental Autos

- Other insurances – Primary
- Company Liability & Physical Damage insurance – Excess

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## WORKERS COMPENSATION



### **Workers' Compensation Insurance**

- Part 1 - Workers' Compensation Benefits
  - "No Fault" System for all Employee injuries
  - Workers' Compensation Statutory Benefits
    - Medical treatment & bills
    - Lost wages
- Part II – Employers' Liability

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## WORKERS COMPENSATION



### Policies & Benefits

- All WC coverages are the same
- Employee Benefits are State specific

### Other Issues

- Exceptions - Monopolistic States (ND, OH, WA, WY)
- Travel - Inter-State & Foreign
- Voluntary Compensation
- USL&H
  - Jones Act, Outer Continental Shelf

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## UMBRELLA / EXCESS LIABILITY



### Umbrella / Excess Liability Coverage

- Shared limit of liability - excess of underlying primary General, Business Auto & Employers' Liability
- **"Follow form"** - Coverage provisions included in underlying GL, auto and employers liability are typically covered by the umbrella
- Cost effective means to satisfy contractual requirements for higher GL, auto and employers liability limits
- Umbrella or Excess Liability policies do not provide higher Professional Liability limits

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## PROPERTY



### Covered Property

- Building
- Business Personal Property
- Covered Causes of Loss
- Exclusions
- Valuation
  - Replacement cost vs. ACV
- Deductibles

### Other Property

- Business Income & Extra Expense
- Electronic Data Equipment & Media
- Valuable Papers & Records
- Field Equipment
- Accounts Receivable

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