

Selecting a Professional Liability Insurance Broker

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SUMMARY

Your professional liability broker should have a strong commitment to the profession and experience with the detailed insurance needs of the architecture profession. A good broker offers representation in the insurance marketplace, loss-prevention support, claims service, expertise and service, empathetic counsel and advice, and independent judgment.

CHOOSE A BROKER WISELY

Selecting a professional liability broker is as important a decision as selecting your business partners. Your broker delivers some of the most important risk management and liability insurance services. An unqualified broker may be ill-equipped to advise you on the risks of professional practice. A knowledgeable broker will be as important to your practice as your attorney or your accountant. You pay for the services of your broker when you purchase your professional liability insurance. Exercising due diligence in choosing a broker will help ensure that you receive full value for your insurance dollar. Use the following as a checklist for what you should expect from your broker.

PROFESSIONAL ADVICE

One of the most valuable services your broker can provide is risk-management advice. Talk to your broker throughout the year, not just at renewal time. One insurance carrier or type of coverage may be more suitable to the way you do business than another. A good broker will listen to your questions, analyze your business plans, and advise you on the best way to manage your risks. He or she can help you understand why certain project types are more or less risky than others and can help you identify the tools, products, and services that are available to manage those risks.

MARKET REPRESENTATION

Your broker is your advocate in the insurance marketplace. A good broker can advise you how to answer questions on applications and can help interpret your answers to the underwriters who set

your premiums. A competent broker will have intimate knowledge of the state of the insurance market, will know the underwriters and the criteria they use in evaluating applications, and will help you present your firm in the best possible light.

An experienced broker will know how to advise you in both hard and soft markets. Insurance markets are fluid, and circumstances can change quickly. The value of the advice you receive about companies, coverage, and premiums will depend on the broker's experience. Knowledge is of no use unless it is applied. Make note of the broker's skill, attention to detail, and willingness to exercise that knowledge on your behalf.

LOSS-PREVENTION SUPPORT

Your broker can review and help you negotiate your professional service agreements. While not a substitute for competent legal counsel, your broker can provide valuable information and guidance. With broad knowledge of the insurance market and the construction industry, your broker can provide a sound risk-management perspective and help you negotiate a fair allocation of risk with your clients.

CLAIMS SERVICE

If a claim is made against you, your broker should be able to differentiate between claims that underwriters are likely to consider significant and those they will not. Your broker should have a good understanding of the expectations of all parties in a claims process—clients, contractors, attorneys, and insurance company claims representatives—and be able to help you through this unfamiliar territory. The broker should be able to guide you through the process, keep you informed of relevant issues and timelines, and otherwise assist you in getting back to business as quickly as possible.

EXCEPTIONAL EXPERTISE AND SERVICE

Look for a specialist in architects' professional liability insurance who can respond effectively to the unique requirements of your firm. It is reasonable to expect knowledge, expertise, and exceptional

service. A specialist does not sell homeowner's or ocean marine insurance. He or she specializes in providing services to design professionals and dealing with the markets that insure them. A specialist is careful to maintain relationships of mutual respect and trust with underwriters, knowing that the quality of those relationships is essential to serving you well. A specialist will have many of your colleagues as clients and will value your professionalism and your business.

EMPATHETIC COUNSEL AND ADVICE

A specialist broker understands what you do every day and how you do it. Because good brokers understand the challenge of balancing sound business practices with quality service, they can help you reconcile the two without compromising either. A specialist broker understands the decisions you have to make in your particular business, knows how his or her advice will be applied to your practice, and will help you make informed risk-management decisions.

A COMMITMENT TO THE PROFESSION

A specialist broker demonstrates commitment to the architecture profession through affiliate membership in professional associations, service on professional committees, and knowledge sharing in professional publications and risk-management seminars. A specialist broker maintains contact with lawyers on both sides of disputes and with accountants and other consultants who specialize in serving the profession. A broker with broad knowledge of the relationships among these allied professionals is better able to assess your risk-management plans.

INDEPENDENT JUDGMENT

A broker's ability to make independent, reasoned judgments and give you sound advice is essential. Select a broker you know you can trust, one in whom you have confidence, and one you can depend on for sound risk-management strategies.

PLAN AHEAD

Do not begin your search just before a renewal or anniversary date. Start looking for a broker before you urgently need one. These tips can help you select a broker with whom you feel comfortable:

- Ask your colleagues who their broker is
- Ask your local AIA chapter for the names of brokers who are active in the organization
- Ask attorneys, accountants, and marketing consultants if they know a specialist broker

When you are ready to interview brokers, here are a few questions to get you started:

- What gives you the knowledge and expertise to be a specialized broker? What are your staff's qualifications?
- How committed are you to the A/E industry? How much of your business is A/E, and how much of your time is devoted to this industry?
- What services do you offer? If called upon, are you prepared to make presentations on our behalf to risk managers and attorneys who represent our clients?
- How much of your personal time can we expect you to devote to meeting our needs?
- How extensive are your contract review and negotiation services?
- How do you propose to strengthen our understanding of these issues?
- How successful have you been in the past?
- Which of my colleagues do you serve? Which would you offer as references?
- With which professional liability insurance companies do you do business and why? How did their underwriters behave during the last hard market, and how do you expect them to behave in the future? Is there anything about your relationship with your underwriters that could affect the independence of your advice and counsel?
- Are there insurers with whom you do not do business? Why?
- How do you stay abreast of developments, pricing, the relative financial condition of the insurers, and the underwriting guidelines in the marketplace?
- How extensive is your involvement with professional associations? What do you contribute to my profession?
- What, specifically, can you do to help us control our professional liability insurance costs? What other considerations are important to us? Why?

The broker's responses to your questions and the questions you receive in return will make evident the broker's understanding of your needs and concerns. Choose wisely. A good broker can be your most trusted advisor as you evaluate your professional liability insurance options.

ABOUT THE CONTRIBUTORS

George J. Vogler is a lawyer in Oklahoma City whose firm, Reserved Resources Insurance, specializes in professional liability insurance and loss prevention services for architects and engineers. From 1995 to 2003, he served on the Oklahoma State Board of Registration for Professional Engineers and Land Surveyors—including a term as chair of that board.

David W. LaKamp founded Professional Practice Insurance Brokers of Redwood City, Calif. He has specialized in professional liability loss prevention and insurance services to architects and engineers since 1978.

RESOURCES

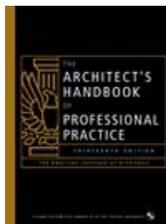
More Best Practices

The following AIA Best Practices provide additional information related to this topic:

- 09.02.03 Changing Professional Liability Insurance Providers
- 09.02.04 Design-Build Insurance Considerations
- 09.02.05 Customized Insurance Coverage Through Endorsements

For More Information on This Topic

See also “Insurance Coverage” by Lorna Parsons and Ann Marie Boyden, Hon. AIA, *The Architect’s Handbook of Professional Practice*, 13th edition, Chapter 12, page 331.



See also the 14th edition of the *Handbook*, which can be ordered from the AIA Bookstore by calling 800-242-3837 (option 4) or by email at bookstore@aia.org.



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Key Terms

- Practice
- Insurance management
- Liability insurance
- Professional liability insurance