

High Cost of Premiums

Professional Errors and Omissions Insurance

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Over the past year, I have had an opportunity to learn a lot about professional errors and omissions insurance. For over 30 years, I had been insured through DPIC. I was a member of the Structural Engineers Risk Management Council (SERMC). DPIC seriously reduced its support of SERMC as an organization this past April. My renewal was due this fall after a three year contract. I received a quote for renewal from DPIC, CNA and RA&MCO. I have been free of claims requiring payout through insurance for over five years, and our mix of work is fairly broad spectrum with no significant percentage in one segment over another.

“...premiums would more than double...”

I was shocked that my premiums would more than double if I maintained the same coverage! And, I was only able to receive a quote for one year. Since DPIC had reduced its support of SERMC, and there was uncertainty as to what DPIC was going to do in the future, I decided to change to the lowest cost insurance I was quoted (RA&MCO). However, in so doing, I had to increase my deductible and drop shared expense for defense costs.

I share this with you because I don't think I am alone on this issue. I have heard from many engineering firm CEO's expressing similar experiences. A colleague in my area expressed panic because his insurance carrier was dropping coverage for structural engineers. The company he was insured with previously didn't want to cover him because he had over 25% of his work associated with condominiums. He didn't know if he could get insurance, and was worried that he may not be able to continue to work with clients requiring insurance.

Are we headed toward a crisis of *unaffordable* insurance? Similar conditions existed during the early 1980's when CASE was formed to help with risk management and business practice issues. It has been expressed by engineers close to the insurance industry that high premiums and lack of a market was, and is, a result of poor business practices by structural engineers and high liability associated with structural engineering projects. Improved business practices can help control liability risks and perhaps have an impact on the insurance market.

CASE, SEI and NCSEA have provided representatives of each respective organization to meet with a group of ex-SERMC members. I am one of those representatives. We have met twice to date, and plan to meet again in January. The purpose of the meetings is to try to develop a way to bring the organizations together to minimize duplication, and provide an avenue for engineers to receive education and training on risk management and loss prevention issues. One idea under discussion is to develop some type of technical peer review program for firms interested in improving their practices for business and risk management issues. ACEC has an organizational peer review program in place, and CASE once had a technical peer review program in place that was dropped because SERMC picked it up. However, with the discontinuation of the official organization, the program is uncertain and would most likely only be for DPIC insureds.

“...lead to affordable E & O insurance.”

It is likely that engineers would be willing to pay a small percent of their premiums for a program that could provide education and training on risk management and loss prevention issues, if it would lead to affordable E & O insurance. The program could establish requirements for participation such as organizational and technical peer reviews, an agreement to operate the business using certain prescribed practices, sharing of claim and attorney information and other items that would help the business practitioner be better prepared for claims. It is the expressed desire by those attending the meetings that the program would be available to all engineers.

I believe the development of this program, and the cooperation of the organizations participating in the meetings, is critical to the success of structural engineering business as we know it. Stay tuned for the future progress of this program. I don't think any of us know what will develop from our efforts, but I believe we all agree that this effort is important to our profession and we remain committed to having something in place next year. ■



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