

ARTICLES

Professional Liability Claims and Claim Reporting

By Michael Welbel, Vice President

Mar 29, 2018

Professional Liability Claims and Claim Reporting

Regardless of firm size dealing with a claim is simply a part of doing business. For some architecture and engineering firms, due to their size or the nature of their practice, claims are almost routine. For most firms, however, dealing with a claim is an unfamiliar and unsettling experience. Claims can be disruptive and add an expense over and above a firm's insurance deductible. But with proper management, most are tolerated with minimal lasting impact. Below we will examine what to do when faced with a claim or potential claim.



What is a Claim?

Most A/E professional liability policies define claim like this, “a demand for money or services”. Some policies define claim as a written demand but for our purposes we are not making a distinction between written or verbal. A claim can be valid or based on erroneous facts or conclusions. Regardless of validity, however, our experience shows prompt action is usually the best approach.

What is a Potential Claim?

Policies also define a potential claim. Typically a potential claim is a set of facts and /or circumstances that would place a reasonable A/E on notice that a claim might be made against the insured firm. While it's usually clear when a demand is made against your firm, spotting a potential claim can be murky. It's where you know there is a problem but an actual demand has not yet been made against your firm. If you find yourself wanting to pick up the phone and call your insurance broker, chances are good you're dealing with a potential claim. Understanding the distinction is important because claims and potential claims trigger different coverage benefits as well as obligations of what you must do to safeguard your coverage. One important distinction is that most insurers offer “free per-claim” assistance. Insurers understand that early attention to problems can mitigate and in some situations keep a potential claim from developing into an actual claim.

Where to Begin?

When facing a project related problem- from full blown claim to mere circumstance - one of your first calls should be to your insurance broker. Your broker knows your coverage and can help you prepare for and understand the path forward. Your broker knows when and how to report a claim and can manage that task for you. Your broker can analyze the situation and guide a threshold analysis to determine whether this is something that needs to be brought to the attention of your insurer.

If new to the world of claims, your broker can lead you through the process from first reporting through to ultimate conclusion. Most experienced A/E brokers know your business and can assist you with legal counsel selection, should that be required. One of the biggest mistakes we see is failure to report in a timely fashion. This can have a number of ill effects including violating the terms of the insurance policy. There are a lot of reasons people are slow to report problems. At times they simply don't know when to engage coverage. In many cases it is a fear that premiums will increase at renewal. Your broker can help address your concerns regarding future premium impact and offer mitigation strategies.

Finally, remember, managed by an experienced broker, an insurer can be your ally; they provide financial support and have expertise to help navigate the choppy claim waters.

TAGS: