

# **Terra Insurance Company**

(A Risk Retention Group)

**ASFE/The GeoProfessional Business Association (GBA) Meeting:**

## **State of the Professional Liability Insurance Industry**

**April 26, 2013**

**\*These slides may not be an exact replica of the presentation**

# Agenda

- » The Professional Liability Insurance Industry
- » Precursors and Claim Statistics
- » Risk Management Observations and Reducing Claims and PL Insurance Cost
- » The Economy
- » Q&A's

# The Professional Liability Insurance Industry

- » More companies are offering PL Insurance then ever before.
- » Extremely “soft” insurance cycle.
- » Coverage trends.
- » Cash flow underwriting is alive, but not well.
- » Between 2010 & 2011, insurance company impairments increased by 33%.

# The Professional Liability Insurance Industry: Coverage Trends

- » Halving the limit and doubling the deductible for residential exposures
- » Technology coverages
- » Copyright infringement
- » Waiver of Subrogation
- » Standard of Care-Creation of a Warranty
- » EBIX & MYCOI

# Precursors and Claim Statistics

- » Slow pay or no pay of accounts receivable
- » “Tight” project schedule
- » Demeanor of client in contract negotiations
- » “Value engineering”

# Risk Management Observations and Reducing Claims and PL Insurance Cost

- » Claims cost more than money
- » Don't inadvertently "Bet the Company"
- » Your Best Insurance is your own QA/QC
- » Peer Review works!
- » Implement the 4 CSF's in your management structure
- » Don't select work that generates high loss ratios

# Risk Management Observations and Reducing Claims and PL Insurance Cost

## Challenging Practice Areas:

- » Residential work is “high risk” for insurers
- » Municipal work is moderate risk for insurers
- » Commercial work is average risk for insurers
- » Geotechs & Structural Engineers

## Less Challenging Areas:

- » State and Federal work is low risk for insurers
- » Manufacturing and Industrial work is low risk for insurers
- » Environmental work is an interesting exposure...

# Risk Management Observations and Reducing Claims and PL Insurance Cost

- » Develop and refine the four primary CSF's in your management structure
  - Quick response to problem situations by technically competent staff that are empowered to make financial decisions on the spot
  - Financial wherewithal
  - Corporate culture that focuses on client, project, and employee selection and assigns accountability to those selections
  - Develop a non-autocratic work environment
- » Obtain written contracts on all work
- » Get an ASFE Peer Review
- » Superior QA/QC with an auditability function
- » Never admit fault!



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**QUESTIONS**

**&**

**ANSWERS**