



ProNet Practice Notes

How To Select a Professional Liability Insurance Broker

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Introduction

Your professional liability insurance broker can deliver services of great value. This is as it should be, for you are paying for those services. Carefully selected and advantageously used, your broker can be as important to the management of your practice as your accountant or your attorney. Poorly selected and ill-equipped to advise you on the risks of professional practice, your broker may add little more of value to what you do than the cost of a few postage stamps at renewal time. The choice is yours.

There are many people in the insurance business, but finding the one broker best for you can be somewhat problematic. For one thing, your broker can be of real help to you only if he or she has a comprehensive understanding of what it is you are all about. Not all do. For another, the most valuable services your broker can deliver require an investment of time and resources few are prepared to make. Fortunately, there are knowledgeable brokers throughout the country who have made that investment. Your challenge is to find one you can rely on with confidence.

What a Good Broker Can Do For You

Your broker, first and foremost, is your advocate in the professional liability insurance marketplace. A good broker will know what the markets are doing, who the underwriters are, what they are looking for, and how to present your firm in the best possible light. This requires a thoroughgoing knowledge of the applications for insurance and a clear understanding of what the questions really mean, how the information being requested is likely to be interpreted, and how that information can best be communicated to the underwriters. The cost of your insurance will depend on this knowledge and on the skill and attention to detail with which it is utilized on your behalf.

A skilled professional liability insurance broker will be experienced in dealing with the underwriters in both hard and soft insurance markets. Today's promises and prices may be real, or they may be of fleeting value. To evaluate the differences, you need competent, independent advice from a broker who is capable of a long look down the road ahead. Experienced brokers have been down this road before, and the value of the advice you receive as you seek to sort out the trade-offs between coverage options, company services, and premium dollars depends on that experience.

You can look to a good broker to serve as your risk management advisor. At renewal time, he or she will be able to explain differences in coverages and cost in terms that make sense to you. You can also expect sound, objective advice on the perils, as well as the potential benefits of changing carriers.

Throughout the policy year, a good broker will be there to listen to your questions and your plans, understand them, and advise you on how the risks involved can best be managed. He or she will know what products, services, and other tools are available to respond to changes in the unique requirements of your practice--not only from traditional insurance sources, but from alternative sources, as well. Insurance is but one risk management option.



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A knowledgeable broker will offer a wide range of professional liability loss prevention services and management resources. You should be able to look to your broker for valuable assistance in the review and negotiation of your professional service agreements--not as a substitute for competent legal counsel, but as source of information and guidance on issues of risk and responsibility he or she has seen many times before. You can rely on a good broker to know the limits of fairness and to help you hold that line in your negotiations with your clients.

You should also be able to look to your broker as a professional development resource, one you can depend upon to reinforce your efforts to promote the use of sound methods and techniques of professional liability loss prevention. Brokers who are confident in their specialized professional liability expertise are anxious to share that knowledge with you and your staff. They routinely offer seminars, loss prevention publications, and other management resources of value, and they stand ready to work with you or with anyone on your staff needing advice on avoiding professional liability losses.

Good brokers will be there when you face a potential claim situation or when a summons is served. They can easily differentiate between those which are likely to have significance to the underwriters and those which are not. They know what clients, contractors, attorneys, and insurance company claims people are up to, and they can help you steer a safe course through an uncertain and unfamiliar landscape. And, when it is over, they will be there to help you pick up the pieces and get on with doing what you do best.

What to Look for in a Good Broker

Not every attorney can deal with the problems you are likely to find yourself faced with in professional practice; not every doctor can perform heart surgery; not every insurance broker can deliver the professional liability loss prevention and insurance services you need. Knowing this, it would seem to make sense for you to spend a certain amount of time searching for a broker capable of responding effectively to the unique requirements of your firm.

Look for a specialist. The issues are too complicated, the cost is too high, and your need for services of value is too great for you to settle for anything less. You have every reasonable right to expect knowledge, expertise, and exceptional service. Search for these qualities, and you are likely to find them. There are good professional liability insurance brokers at work in nearly every section of the country, and they are eager to serve.

How will you know a specialist when you see one? They are easy to single out, if you know the clues. Here is a summary of the characteristics to look for in your search: Exceptional Expertise and Service

Specialists are dedicated to the delivery of insurance and professional liability loss prevention services to engineers and architects, and they know what they are doing. They do not spend most of their time developing ocean marine business or selling homeowner's insurance--they spend their time providing services to design professionals and in dealing with the markets which insure them. They are careful to maintain relationships of mutual respect and trust with the underwriters, for they know that the quality of those relationships is an essential component of their ability to serve you well.

They place a large volume of professional liability insurance with a variety of carriers, and they list many of your friends and colleagues among their clients. They offer services not generally available from other

brokers, and they have a reputation for making good on the promise of those services. They are highly professional, and they understand the importance of their professionalism to the engineers and architects they serve. Good brokers are known by reputation.

Empathetic Counsel and Advice

Good brokers also understand you and your practice. They know, without needing an explanation, what your concerns are and how you feel about them. They understand what you do every day and how you go about doing it. They know how difficult it can be to balance harsh economic pressures against the imperatives of quality, and they can help you reconcile the two without compromise.

Specialists are good communicators. They are able to explain complex insurance and risk management concepts in plain English, to represent your interests effectively in the insurance marketplace, and to negotiate successfully on your behalf. They listen. Otherwise, they would not understand your concerns, and they would not be able to sort out the issues and respond to them in a way that allows you to make informed decisions. Good brokers know their business and yours, too.

A Commitment to the Profession

You can expect specialist brokers to give something back to the professions which sustain them. Good brokers welcome the opportunity to participate in professional society activities, and they make positive contributions. They serve on committees, they conduct loss prevention seminars and workshops, and they contribute to professional publications. They do this, not only for sound business reasons, but also because they recognize an obligation to support professional endeavors important to their clients.

Specialist brokers also maintain business and personal relationships which reinforce their knowledge and experience. They deal regularly with the attorneys who serve the professions, and they know the plaintiffs' lawyers who come at you from the other side. They deal regularly with professional society committees and staff. They know the accountants and the management consultants who specialize in the same way they do. All have much in common and a great deal to learn from one another. Good brokers are involved.

Independent Judgment

Your professional liability insurance broker will serve you best if your relationship is grounded in confidence and trust. You need to be secure in the knowledge that the advice you receive is objective, considered, and free of hidden influences. Your broker needs to know that you value his or her contribution to your practice enough to afford it a preeminence which is independent of the others factors in your insurance buying decision.

Why is this important? It is because not every broker does business with every company offering professional liability insurance in the United States. Nor does every company do business with independent brokers, whose principal responsibility is to represent your interests in the insurance marketplace. Some prefer an agency relationship under which the obligations of the company and its agents, each to the other, are set forth in a written contract. There is not necessarily anything wrong with such a relationship, and it is not something you can control, but you do need to know about it where it exists. The only way to find out is to ask. Good brokers are reliably objective.

Asking the Right Questions

Once you have a basic understanding of what you are looking for, how do you locate the specialist brokers who serve engineers and architects in your community? The task is relatively simple because the universe is so very small. One word of caution, however: Do not start this process at renewal time. Selecting an insurance broker is too important to you for your evaluation to be overwhelmed by the pressures of a rapidly closing renewal deadline. Do it when you have the luxury of time on your side.

Ask your colleagues who they work with and why. Call the Executive Director in your state, and ask for the names of brokers who take the time to keep them informed of developments and who contribute to and support their efforts on behalf of the members. Find out which attorneys specialize in serving the profession, which CPA's, which management and marketing consultants. Call them, and ask for the names of insurance brokers who specialize just as they do. These people will know.

Once you have compiled your list, call the specialists you have identified, and ask if they would be willing to spend some time discussing your practice and your insurance needs (of course they would!). Here are some of the questions you might raise:

1. How long have you been providing professional liability insurance services to the profession? What is it about your background that gives you the specialized knowledge and expertise required to do so?
2. How committed is your firm to serving engineers and architects? Who is on your support staff; who is available to us; what are their qualifications. How do the responsibilities of the support staff interact with your own? What percentage of your time is spent on meeting the insurance and loss prevention needs of engineers and architects? What percentage of theirs?
3. What services do you offer to your clients? To the profession? Who in your firm is going to deliver those services to us? How much of your personal time and attention can we expect will be devoted to meeting our needs?
4. How extensive are your contract review and negotiation services? Can you address the broad range of issues involving the allocation of risk and responsibility thoroughly and with confidence? How do you propose to strengthen our understanding of these issues? If called upon to do so, are you prepared to make presentations on our behalf to risk managers and attorneys who represent our clients? How extensive is your negotiating experience? How successful have you been in the past?
5. How many architects and engineers do you list among your clients? Which of my colleagues do you serve? Which of them would you offer as references?
6. Which professional liability insurance companies do you do business with, and why? How did the underwriters you work with behave during the last hard market, and how do you expect they will behave in the next? Is there anything about your relationship with any of the companies that could affect the independence of your counsel and advice?
7. Are there professional liability insurers with whom you do not do business? Why not? How would you advise us regarding the availability of coverage from these insurers?
8. How do you stay abreast of developments in the professional liability insurance marketplace? Of changes in pricing and underwriting guidelines? What steps do you take to keep current on the relative financial condition of the insurers you do business with and to keep your clients advised as to what this means to them?



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9. How extensive is your involvement with the professional societies and with ACEC in particular? What do you contribute to the profession you rely upon for your livelihood? To the body of knowledge with which you work?
10. What, specifically, can you do to help us control our professional liability insurance costs? What other considerations do you believe to be important to us and why?

You do not need to inquire about the candidates' understanding of professional practice. The way they respond to your questions and the questions they will ask in return will tell you everything you need to know. They will either communicate that understanding in almost everything they say, or they will not.

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