

SCHINNERER AND CNA

CONTRACTOR'S PROFESSIONAL LIABILITY

APPLICATION COMPANION

Although all the applicants to the Contractor's Program share the same profession, no two firms are exactly alike. For this reason, it is important to complete your insurance application correctly to get an accurate picture of your firm. This allows us to calculate a fair premium and tailor our coverage to fit your firm's needs. A well-completed application also ensures you receive your quote and bind coverage as quickly as possible.

We developed this guide to answer some of the more common questions that occur when completing our application. It also explains why we request certain types of information. If you have other questions, please contact your broker, who will be able to provide more direction.

Operations and Accounting Year Information

Question 4 and 5 Focus on your firm's operations and how it is classified using standard insurance classification systems. It is important to provide us with a brochure or a detailed description of your company and the work you do. You may also direct us to your company's website so that we can more fully understand your operations.

Question 6 assesses your firm's size by asking for:

- Construction values generated from all operations,
- Billings generated for professional services for the past 12 months (where possible), and for
- Estimated construction values and billings generated for professional services over the next 12 months.

Although we generally make our decisions based on your most recent 12 months' billings, we like to compare those to your estimated construction values to identify any significant change in construction values. Sudden growth, for example, can be a positive change for a firm—as long as it's prepared to handle that growth.

In addition to assessing your firm's size, question 6 also helps us to assess the level of risk your firm takes on. We've developed seven categories of professional services, each one judged to

be low, medium or high risk. For each firm, we assess the professional responsibility, professional liability and construction responsibility to determine your firm's risk.

Here's how we look at it:

Design only: High Liability

Construction responsibility without design or construction management: Low Liability

Agency construction management: Medium Liability

At-risk construction management: Medium Liability

Design-Build with in-house design: High Liability

Design-Build with subcontracted design: Medium Liability

Other services:

If your firm provides services that do not fall under one of the other six categories, please provide a description of the services on a separate page.



Clients, Projects, Services Data

Question 3 asks for a breakdown of design professional services. We want to know what services you perform or are performed on your behalf.

Question 7 asks for information if your firm provides construction management services.

Question 8 refers to your design sub-consultants and asks what type of professional liability insurance coverage you require from them.

Questions 9 refers to exposures that are not typical of most contracting firms. Contractors providing these services usually have a higher risk profile than others. Coverage for some of these services may be restricted or excluded.

Question 10 lists a number of project types a contractor may undertake. Services should be placed in the most specific project type category. Services not listed should be placed in the “other” category and an explanation should be attached. For example, certain project types are more or less risky than others. Higher risk project types include condominiums and other residential projects and bridges, tunnels or dams. Lower risk project types include wastewater treatment plants and office buildings.

Question 13 asks about your current clients. For example, a mechanical contractor likely performs services for a general contractor. A general contractor likely performs services for an owner or developer.

Risk Management and Loss Prevention

Question 16-25 identify risk management and loss prevention activities. A firm with good risk management and loss prevention activities usually has fewer claims and may be entitled to a premium credit as a result.

Question 16 looks at the percentage of staff with involvement in the firm’s QA program. Firms that have a written in-house QA/QC program are more likely to have fewer professional liability claims so the higher the percentage of staff involved, the better this is as a risk management tool.

Questions 17 and 18 indicate whether or not a firm is keeping up with current technology which can result in fewer claims.

Question 19 identifies whether or not a firm has a culture of learning. Firms that have an in-house CE program and keep employees educated on the latest information often are involved in fewer claims.

Question 20 section A asks about a fundamental risk management tool: use of a written contract. Through a written agreement parties can state their goals and the expectations they have of each other and of third parties. They can allocate rights and responsibilities, risk and reward. Written agreements can also help parties deal with future changes. Even though it may not be possible to determine exactly what those changes might be, it is usually possible to establish a process and some procedures for dealing with change. Also, contracts can help prevent disputes and can establish a framework for the fair resolution of those that do occur.

Question 20 section B asks about the use of standard contracts because this type of contract will typically contain fair terms. However, if it is modified, the terms may become less favorable to the insured.

Question 20 section C reviews use of legal counsel when non-standard contracts or modified contracts are used. Non-standard contracts are typically written in favor of the client, therefore the firm may agree to terms that are not covered by their professional liability policy and review by legal counsel can help discover these unfavorable terms.

Question 21 looks at pre-project planning. Research by the Construction Industry Institute (www.construction-institute.org) and others has clearly demonstrated the benefits of pre-project planning. These include better definitions of risks, increased predictability of cost and schedule, better achievement of business goals, improved operational performance, and fewer changes and disputes.

Question 22 reviews constructability review. Research by the Construction Industry Institute and others demonstrates that incorporating construction knowledge and experience into the planning and design of a project can reduce costs and schedule time and improve the safety of field operations.

Question 23 asks about submittal logs. A submittal log that tracks as-planned and actual submittal dates is a powerful project management tool that can be used to mitigate the policyholder’s exposure to contractor delay damage claims. It also reflects the AIA/EJCDC contractual mandate that the contractor submit a submittal schedule, coordinated with the contractor’s construction schedule, for the design professional’s approval.

Question 24 asks about the use of agreements and the collection of certifications from sub-consultants. By putting pen to paper this encourages the parties to address and memorialize the complete terms of their agreement. It also helps the parties avoid uncoordinated contracts and mismatched expectations. Insurance certificates help demonstrate and confirm financial responsibility and compliance with applicable contract terms. Transfer of risk is a key component in good risk management and is highly important for firms with single point responsibility or working within a joint venture.

Question 25 is for information gathering.

Question 26 asks for the professional associations to which your firm belongs because these societies can provide added value with respect to contract documents, legislation changes, risk management via seminars and speakers who are leaders in their respective industries.

Business Information

Question 27 asks about the applicant's ownership. Specifically, we want to know whether the applicant or a relative of an applicant has ownership in any project for which the applicant renders services. The answers provided could affect the coverage limitations in the policy.

Question 28 requests information on any changes in the business organization, including whether an applicant or subsidiary company has ever filed bankruptcy.

Questions 33 deals with the applicant's bonding capacity and request information about other lines of insurance. We cannot offer professional/pollution liability insurance to a firm if the contractor does not carry general liability insurance. We will not offer higher limits of professional/pollution liability than the firm's combined CGL and umbrella limits of liability.

Contractor's Pollution Liability Risk Information

Complete questions 34-45 only if you want a quotation for Contractor's Pollution Liability coverage. These questions examine three areas: 1) your exposure to pollution risks; 2) your risk management practices regarding pollution exposures; and 3) your current and past contractor's pollution liability coverage.

Claim Information

Questions 46 and 47 ask about your prior claims or circumstances, which are often a good predictor of future losses. Any losses, circumstances or incidents occurring before the policy inception are not covered by the policy.

New Applicant Information

Question 48-50 ask about prior professional liability coverage. Specifically, we want to know whether any carrier has terminated you or if you have any outstanding deductible obligations.

Still have questions?

If you need more assistance, feel free to contact your broker or Victor O. Schinnerer directly. We will be happy to answer any additional questions.



Victor O. Schinnerer & Company, Inc.
Two Wisconsin Circle, Chevy Chase, MD 20815
Phone: 301-961-9800 / Fax: 301-951-5444
www.Schinnerer.com