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INSURANCE EXCLUSIONS

Professional liability insurance covers design professionals for mistakes and oversights, provided the services from which they arise are usual and reasonable to their professional practice. For example, you would be covered for approving a substitute material that subsequently failed, or for making a mathematical error in a specification.

Cost overruns

Cost estimating is an inherently dangerous activity. There may be liability if a cost overrun is large enough to show lack of skill or care on the part of the design professional. The client's claim against the design professional would not be covered under most liability insurance policies if the claim were based on warranties or guarantees of cost. (See '*Opinions of Probable Cost*' in the '*Design Practice*' section.)

Express warranties and guarantees

All professional liability insurance policies exclude warranties and guarantees. This is because there is no opportunity for the insurer to evaluate the risk of such promises against a database of actuarial information. Professional liability insurance is tied to the standard of care for covered services because the risk of negligence is based on the actions of the entire profession. A promise to deliver documents within a certain period, for example, may result in an uninsured claim if the reason the deadline was not met is not based on negligent professional services.

Do your people know the terms of the contract?

Every member of the design firm is in a position to influence the company's risk position and should know what the terms of a contract mean in relation to their daily work and responsibilities. Beyond the general loss control information they should be aware of specific contractual obligations that may introduce special risk situations.