



## GUEST ESSAYS

### **Project Insurance Protects Design/Environmental Consultants, Owners**

W. Meade Collinsworth CPCU, ARM, AIM, AAI

Due to the ever-increasing complexity of the construction process, project owners are placing even more stringent contract requirements on design and environmental professionals. They often require the prime design or environmental professional, as well as members of their project team, to assume even more responsibility for professional liability exposures specifically for their project.

As a result, the limits of liability usually stipulated by the owner, are often significantly higher than those carried by the design and environmental team's individual members. Design and environmental consultants normally carry professional liability insurance to protect their overall practice. While the general practice policy may be adequate for individual needs, it can leave some owners of a specific project vulnerable if the coverage and limit is not sufficient to meet their specific needs.

Project insurance is one way to put the cost of professional liability insurance into proper perspective, as a cost related to the owner's specific project. This approach of providing professional liability insurance is consistent with the method used by contractors to procure their liability coverage on construction projects. If the owner pays for project coverage, it will allow the cost of the specific project insurance to be evenly distributed to each project.

Specific project insurance guarantees the long-term coverage that owners are increasingly seeking to have in place. The coverage period extends from the design phase through substantial completion and up to five or more years after completion--- without annual underwriting reviews that could modify the original premium.

Project insurance allows the project owner to have greater control over the design or environmental consultant team by offering a policy designed to protect the owner's specific needs. Policy limits and coverage can be tailored to fit the size of the owner's specific project.

The cost of project insurance generally runs between 0.50 and 1.75% of total construction value. Underwriting factors include the project's length, scope, nature and location. Again, the premium is guaranteed from inception; thus, no matter how volatile the professional liability market may become, the project insurance premium should remain constant, providing the initial project policy data does not change. The cost for the project policy can be passed on to the owner for that project.

Also, the responsibility can be allocated among the members of the team based on their actual participation in the project. Design team members will see a premium reduction in their general practice policy. This occurs since the general practice policy does not normally cover the project-specific approach and these fees are excluded in the rating of the general practice policy.

In the end, it makes good sense for everyone involved, including the owner, to have a single insurance carrier responding to the professional liability exposures in the event of a loss. This reduces the likelihood of disputes among the members of the team and their individual insurers should you have several carriers and policies in effect at the time of the claim on the same project.



## GUEST ESSAYS

A word of caution: Project insurance is not a performance bond or guarantee to the owner, nor is it a "kitty" for additional funds. It is, however, written to afford protection for the design and environmental professionals on the team against claims arising from their negligent acts, errors or omissions arising from a specific project. It also provides evidence to the "owner" that there is a separate policy with separate limits in force for the owner's project that will protect the professional liability exposure of the design team.

---

W. Meade Collinsworth, CPCU, ARM, AIM, AAI, is the president of Collinsworth, Alter, Nielson, Fowler & Dowling Inc. in Miami Lakes, Florida, and past president of **a/e ProNet**.

---

*NOTE: This article is intended for general discussion of the subject, and should not be mistaken for legal advice. Readers are cautioned to consult appropriate advisors for advice applicable to their individual circumstances.*