



Top 10 ways to manage risk and prevent losses

1. Improve liability literacy

Confirm all employees learn how everyday business practices affect your exposure to risk and understand that claims not only arise from technical mistakes but also from non-technical issues such as client selection, contracts, project team selection and communication issues. Make sure your employee training and risk management programs support your commitment to quality and address these critical practice management issues.

2. Select projects and clients carefully

Certain projects (such as condominiums) and certain clients (such as developers) are higher risks than others. Check into the client's track record and finances before accepting any assignment. Don't accept projects that do not provide adequate fees for your services, that restrict your scope of services to an unacceptable level or that are outside of your firm's area of expertise.

3. Set realistic expectations

Make sure the client understands that error-free projects simply don't exist. Discuss potential problem areas and changes that may be needed. Strive for a commitment from the owner and the contractor to identify and address the inevitable problems at the earliest opportunity and to work together to achieve win-win resolutions.

4. Always have a written contract

A fair, well-defined professional services agreement that precisely states the intent of both parties helps prevent misunderstandings and has terms easily understood by a mediator, judge or jury. This alone may discourage a plaintiff from asserting an otherwise marginal claim.

5. Offer comprehensive design services

A full scope of services that includes construction observation provides the design professional with the best opportunity to ensure a quality, claim-free project. You should also list in your contract those services you have explained and offered to the client, but that the client has declined.

6. Implement dispute resolution provisions in contracts

Make every effort to avoid litigation. Commit to a program of early problem identification and resolution. Agree that conflicts be resolved fairly, quickly and inexpensively through mediation and other alternative dispute resolution techniques.

7. Refuse to accept unlimited liability for your services

Work for a limitation of liability (LoL) clause in your contracts that fairly allocates liability to a reasonable proportion of the benefits to be derived by the parties to the contract and their responsibilities.

8. Identify “deal-breakers”

Some risks are so significant that you cannot possibly accept them. Let clients know that they must retain the liability for such risks (through indemnities) if you are to provide services.

By selecting the right insurance program, your firm gains a partner that focuses on the many risk management issues in your practice.



9. Know the warning signs

During the course of a project, there are certain signs that should alert you that a claim may be forthcoming. Recognize and react appropriately to communication breakdowns, accusations, finger pointing, significant overruns on the budget or costs, work stoppage, and being excluded from important meetings.

10. Select the right insurance program

By selecting the right insurance program, your firm gains a partner that focuses on the many risk management issues in your practice. Carefully consider the benefits you expect from your professional liability insurance carrier - strong financial ratings, broad coverage, relevant loss prevention education programs, and the proven technical expertise to resolve an incident or claim efficiently and effectively.

Contact

Design Professional team

US

designprofessionalUSA@axaxl.com

Canada

designprofessionalCAN@axaxl.com

axaxl.com/dp

Access the AXA XL Contract Guide for Design Professionals by logging into the EDGE at www.axaxl.com/dp/edge

The information contained herein is intended for informational purposes only. Insurance coverage in any particular case will depend upon the type of policy in effect, the terms, conditions and exclusions in any such policy, and the facts of each unique situation. No representation is made that any specific insurance coverage would apply in the circumstances outlined herein. Please refer to the individual policy forms for specific coverage details.

AXA XL is a division of AXA Group providing products and services through three business groups: AXA XL Insurance, AXA XL Reinsurance and AXA XL Risk Consulting. In the US, the AXA XL insurance companies are: Catlin Insurance Company, Inc., Greenwich Insurance Company, Indian Harbor Insurance Company, XL Insurance America, Inc., XL Specialty Insurance Company and T.H.E. Insurance Company. In Canada, insurance coverages are underwritten by XL Specialty Insurance Company - Canadian Branch. Coverages may also be underwritten by Lloyd's Syndicate #2003. Coverages underwritten by Lloyd's Syndicate #2003 are placed on behalf of the member of Syndicate #2003 by Catlin Canada Inc. Lloyd's ratings are independent of AXA Group. Not all of the insurers do business in all jurisdictions nor is coverage available in all jurisdictions. Information accurate as of June 2024.

AXA, the AXA and XL logos are trademarks of AXA SA or its affiliates. © 2024