

# IEEE MEMBER TOOLKIT



## Professional Liability & Today's Technology Professional:

### *What Are the Real-World Risks and Challenges?*

- > Which common day-to-day activity puts you at risk of being sued? *See page 3*
- > Which type of projects most often lead to lawsuits against technology professionals? *See page 7*
- > What's one of the biggest keys to help prevent a client from suing you? *See page 5*
- > Which two warning signs predict that accepting a new project may get you into dangerous territory? *See page 6*
- > How often are engineering lawsuits against IEEE members thrown out because they're "unfounded"? What happens to you then? What's the impact on your career? *See page 2*

# Fast Facts & Misconceptions About Engineering Lawsuits

**Lawsuits. They've become more and more common in today's business world. Whether they stem from an error on a project, a disgruntled employee, or even an dissatisfied client. No matter what the source, the risks for today's technology professional are significant.**

**When you consider the money and time lost from work as a lawsuit drags on (typically for years), just one lawsuit could deplete your assets and destroy your business.**

**As a result, it's critically important for IEEE members to be aware of some of the more common misconceptions about engineering lawsuits, and the real facts behind them.**



## **MISCONCEPTION #1: My business is small, so my risk is small as well.**

**FAST FACT #1:** That's not the case. Technology professionals who moonlight, consult on a temporary basis or are self-employed in their own firm or partnership can quickly find themselves ensnared in costly litigation ... regardless of the size of their business.

What's at stake?

- > **Your reputation** — Even unfounded accusations can have a significant impact on the good name you've worked so hard to build.
- > **Your successful firm** — Defending yourself in a lawsuit can decimate a firm because energy normally devoted to clients and projects is instead funneled into documenting details and past decisions.
- > **Your income** — Time spent defending yourself in a lawsuit becomes time away from clients and away from your business ... costing you one of your most valuable assets — your ability to earn an income.
- > **Your credit rating** — Which could impact your ability to buy a house, purchase equipment for your firm, or even to help your children with college.



## **MISCONCEPTION #2: I consistently document my work, accept assignments with care and stay up to date on regulations and new innovations. As a result, I don't have much chance of landing in a lawsuit.**

**FAST FACT #2:** Unfortunately, an analysis of actual liability claims filed against IEEE members proves that misconception may be particularly dangerous. Why? Because more than 72% of the professional liability lawsuits filed against IEEE members in the IEEE-sponsored Professional Liability Insurance Plan have proved to be unfounded.

But those technology professionals still had to defend their reputations, and spend time away from their business and their families. Some faced uncomfortable conversations with current and potential clients. Others spent days in depositions or at court appearances.

Even though they were eventually exonerated, the professional and personal cost to those technology professionals was real. And that cost may have been even larger if they hadn't had the engineering professional liability experts of the IEEE Member Professional Liability Insurance Plan on their side.

Over **72%** of lawsuits against IEEE members were dismissed as **unfounded**.



**MISCONCEPTION #3: I've occasionally helped a friend with an engineering question in my free time. There's no real risk there.**

**FAST FACT #3:** It's a common enough occurrence. But giving "informal" advice to clients, colleagues or friends can lead technology professionals down a dangerous path.

**This common activity increases your risk of a lawsuit.**

Why? After all, your intention is simply to help out a friend who comes to you because of your expertise. Unfortunately, because you're not actually working on the project, you have no control over whether your advice was misinterpreted or implemented correctly.

It's precisely this lack of involvement that may jeopardize you if something goes wrong. Too often in a lawsuit, attorneys may make the claim that you're the "professional" and you should have known better than to give that type of advice and not make sure it was used as intended.

**WHAT'S THE BOTTOM LINE?** As a technology professional, today's litigious climate makes you vulnerable every day ... with every project you work on.

If one of your priorities is protecting your professional and personal reputation (as well as your personal and business financial security), professional liability coverage is a "must."

**IMPORTANT NOTE:** If you currently fall into the classifications of "moonlighting," "temporary consulting" or "self-employed," your risk of being personally involved in a lawsuit may be even higher. As a result, risk managers advise those IEEE members to seriously consider the IEEE Member Professional Liability Insurance Plan.

**> Get a free, no-obligation quote now using the enclosed Custom Quote Application Form.**

Even the most “by the book” technology professional can’t eliminate the risk of a professional liability lawsuit. But the way you conduct your business can be an integral key in dramatically lowering your risk.

While some tasks may seem insignificant, overlooking the smallest detail in the course of a busy workday could put you (and your business) at risk. Fortunately, there are several proactive measures you can implement.

## Take this 10-point quiz to see where you might be most vulnerable:

	YES	NO
1 Do you document ALL communication with your clients — including phone conversations and meetings? Do you make sure that ALL changes to a project or plan are put into writing?	<input type="checkbox"/>	<input type="checkbox"/>
2 In your written documents and contracts, do you ALWAYS identify your client by name — as the person or entity that actually contracted for your services?	<input type="checkbox"/>	<input type="checkbox"/>
3 Do you avoid giving “informal” advice and do you avoid accepting assignment outside your area of expertise and/or geographic region?	<input type="checkbox"/>	<input type="checkbox"/>
4 Do you inspect each project at various phases of completion to help make sure your plans and designs are carried forward as intended?	<input type="checkbox"/>	<input type="checkbox"/>
5 Do you maintain WRITTEN quality-control procedures for your office?	<input type="checkbox"/>	<input type="checkbox"/>
6 Do you use contracts and engagement letters for EVERY project?	<input type="checkbox"/>	<input type="checkbox"/>
7 Do you make sure each project team member and/or independent contractor is bonded, licensed and insured — BEFORE you hire them?	<input type="checkbox"/>	<input type="checkbox"/>
8 Do you stay current with the newest technology and educate your employees and clients on this technology?	<input type="checkbox"/>	<input type="checkbox"/>
9 Do you ensure compliance with the Personal Information Protection and Electronic Documents Act (PIPEDA) by securing transmission, receipt and storage of data related to ANY consumer, nonpublic personal information?	<input type="checkbox"/>	<input type="checkbox"/>
10 Do you watch for “warning signs” of potential problems, including clients who undergo management changes or are reluctant to provide information, as well as missed deadlines, complaints or errors?	<input type="checkbox"/>	<input type="checkbox"/>

Add up your “YES” responses, then check your score on the next page > > >

# YOUR ENGINEERING LIABILITY RISK SCORECARD

Number of "YES" answers	Your risk of a professional liability lawsuit
1–3	<b>HIGH risk</b> — You're presently at high risk of professional exposure leading to a lawsuit against you and your professional services. This aspect of your professional services warrants your immediate attention and action.
4–6	<b>MEDIUM risk</b> — You should consider making some process improvements to manage your risk exposure and lower the potential for a liability lawsuit.
7–10	<b>LOWER risk</b> — You're doing an excellent job of managing your services, and on this aspect, your risk is relatively low. Keep in mind that running a tight ship will not prevent a lawsuit by an unhappy client or other involved party.

## STILL WORRIED ABOUT YOUR RISK OF A LAWSUIT?

### Here's How You Can *Better* Protect Yourself

- **Document. Document. Document. EVERYTHING.** This is one of the biggest keys to preventing a lawsuit. You can confidently document prior conversations or decisions if a client brings them up. Also this can be critical in quickly resolving any unfounded claims made against you. Communications to document include:

- > Initial engagement letters
- > Contracts
- > Quality-control procedures
- > Changes in design or plans
- > Emails
- > Text messages
- > Phone conversations

- **Don't give "informal" advice to clients, colleagues or friends.** If you're not officially "working" on a project, don't tell others how to handle their project or suggest alternatives. You never know when your advice might be misinterpreted or misused.

**Documentation can be one of the best strategies in avoiding a lawsuit.**

- **Don't "stretch" your qualifications to accept an assignment.**

If a project is outside your specialty or geographic region, consider it a red flag or warning sign that you're walking into dangerous territory.

- **Beware of whom you work with.** Be careful about contracting with a client who interferes with your objectivity, is reluctant to provide information or is undergoing management changes.

- **Clearly identify your client and copyright any reports.**

- **Keep yourself and your team up to date on the latest technology.**

- **Make sure any independent contractors are bonded, licensed and adequately insured.**



**IMPORTANT:**

Following these tips with every project will help reduce your risk of a lawsuit — but nothing can prevent it if you have an unhappy client. And even if the lawsuit is unjustified, the costs to defend yourself could deplete your assets, damage your reputation and destroy your business and your livelihood.

That's why it is recommended that technology professionals in the "moonlighting," "temporary consulting" and "self-employed" classifications strongly consider professional liability coverage.

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# 5 Key Questions For Today's Technology Professional

You know the risk is real.

You know that doing good work is not a safeguard against a lawsuit.

You know you'd have to defend yourself — even if the lawsuit was completely unfounded.

So please review these five key questions — and the answers we commonly give your fellow IEEE members — to help you decide how professional liability coverage fits into your business plan.



## 1. WHO needs professional liability coverage?

Risk management experts recommend that technology professionals in the following 3 classifications strongly consider professional liability coverage.

### > Moonlighting

You have an “on-the-side” business that consults or performs any technology services while you remain employed by a company. (PLEASE NOTE: Your employer's liability coverage only covers you if you're working for the company. Anything you do “on the side” is considered independent and is normally not covered by your employer plan.)

### > Temporary Consulting

If you're between jobs, testing the waters for your own business, or considering retirement, you fall into this risky “gray” area. You're certainly not covered by an employer plan, but you still need to protect yourself against a lawsuit.

### > Self-Employed

It doesn't matter if you're a solo business or you've set up a partnership with other technology professionals. Self-employed IEEE members may find themselves particularly at risk for liability lawsuits.

## PLEASE DON'T MAKE THIS MISTAKE

It can happen to you. Don't think that because you do your job well that you will never be sued. Even the most experienced and careful technology professionals too often find themselves unexpectedly entangled in expensive lawsuits — sometimes with no merit. Then face the dilemma of going to court (think legal costs and lost work time) or settling out of court (think settlement payments and damage to your professional reputation). It's extremely costly either way.

## ELECTRICAL AND IT PROJECTS: Two of the Most Common Sources of Lawsuits

### Scenario A

You design an electrical system for a warehouse for a college friend on your own time, after work. Subsequently, there's a fire. The warehouse sustains significant property damage and inventory damage for the warehouse owner's customers. There are also personal injuries. The owner (your college friend) — along with multiple warehouse customers — brings suit. They allege your design incorporated fusing that was under capacity, which resulted in a failure that caused the fire.

### Scenario B

You provide IT services for website development. Your client's site malfunctions and crashes at a very critical time. The result is an enormous volume of lost sales and a scathing consumer backlash that goes viral. You're the target of the lawsuit. Your client alleges that your flawed work caused the failure that resulted in revenue loss and negative press.

## 2. WHAT does the IEEE-sponsored Professional Liability Insurance Plan cover?

### > Up to \$2 million per claim/\$2 million annual aggregate in Protection

These higher limits reflect the risk IEEE members are taking on as they pursue larger projects or projects with bigger corporations. However, you can choose the benefit level that best fits your unique business situation.

### > Technology Coverage

Engineering services are becoming more and more technical. That's why the IEEE member plan steps forward with enhanced protection to cover you for more technological situations.

- Broad definition of computer systems & information technology-related professional services
- Coverage for hacker attacks, computer virus attacks and theft of electronic data
- Limited intellectual property risk
- Internet content liability
- Breach of security in relation to denial of service
- Unauthorized access
- Theft of data

### > Reimbursement Benefit for Loss of Earnings Resulting From Attendance at Claims-related Proceedings

Up to \$5,000.00 (\$500.00/day)

### > Optional Defence Coverage

You can choose to add an additional benefit for lawsuit legal defence fees ... taking those expenses outside your per-claim limit ... giving you more protection in case of high judgements and for additional defense costs.

### > Cost-effective Claims-made Coverage

To help keep premiums as economical as possible, the IEEE Member Professional Liability Insurance Plan is set up as claims-made coverage. That means you're protected for claims that are made for the first time while this coverage is in force for situations that happen after the coverage begins.

### > Optional Prior Acts Coverage Gives You More Peace of Mind

If you were previously covered by another professional liability insurance plan, you can set up continuous protection through the IEEE member plan. With the prior acts coverage option, you can give your business longer protection for incidents that may have happened under your previous plan. This option gives you the ability to set a "prior acts" date when you set up your IEEE member coverage. As long as you're not aware of any claim from your past projects or clients, this prior acts coverage can help you set up a more continuous level of protection.

**IMPORTANT: Up to \$2 million/\$2 million in protection to reflect today's higher liability claims.**

**Technology lawsuits are most commonly filed over electrical and IT projects.**

**Help protect your business against lost earnings if you're defending yourself against a lawsuit.**

**> Get a free, no-obligation quote now using the enclosed Custom Quote Application Form.**

### 3. WHY do technology professionals choose the IEEE member plan?

Surveys reveal two important reasons driving IEEE member enrolment in this important program:

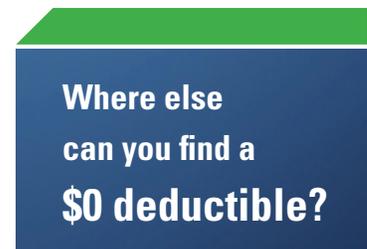
- 1) Affordable, highly competitive group rates tailored to each IEEE member
- 2) IEEE reputation for sponsoring top-quality benefit options



For many technology professionals, the two reasons above are justification enough to go with this plan. Please also consider the following advantages — which may not be available with other professional liability programs.

#### > **\$0 Deductible**

We've seen other companies lower the deductible for engineering firms with the very best claims history. But we take it a step farther for all members. By demonstrating the exceptional risk management record of IEEE members, we, the Program Administrator, were able to eliminate all deductibles for IEEE members ... no matter what your risk of a lawsuit. That means your IEEE member benefits can start faster — giving you important early-complaint stage involvement from our engineering lawsuit experts.



#### > **Optional Defence Coverage Helps You Build A Stronger Layer of Protection**

Defence costs and attorney fees account for 60% of the total dollars paid for engineering liability cases. And with most professional liability policies, those defence costs reduce your level of protection because defence costs are subtracted from your total benefits.

But the IEEE member plan gives you the ability to purchase additional coverage for defence expenses. Paid in addition to any claim costs or awards against you. You're covered for defence costs up to \$1 million.

#### > **Up to \$5,000.00 Earnings Reimbursement Benefit When You Attend Lawsuit-related Proceedings.** This benefit paid in addition to your claim benefit.

#### > **Broad Definition of Professional Services Gives You More Protection for More Situations**

#### > **Licensing Board Defence**

Appearing before a licensing board can be the first step in a lawsuit. But hiring a lawyer to defend you in these situations can be expensive. That's why the IEEE member plan comes through for technology professionals with early complaint-stage protection to help minimize the damage to your professional reputation and your business. And if the claim proceeds to a lawsuit, then your attorney will already be up to speed and fully briefed on the situation.



**> Coverage for Former Partners, Officers, Owners or Employees**

Just because a person no longer works for you doesn't mean their risk of a lawsuit disappears. That's why the IEEE member plan gives you extra-mile protection to cover former partners, officers, owners or employees in addition to current principals/employees.

**> Prior Acts Coverage**

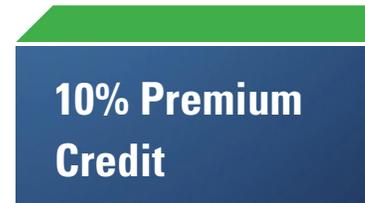
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**> Get a free, no-obligation quote now using the enclosed Custom Quote Application Form.**

These are highlights designed to give you an overview of the IEEE-sponsored program. Full details will be provided in the materials you receive with your rate quote.

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## 4. HOW MUCH does professional liability coverage cost?

The risk of being sued varies by engineering firm and technology professionals. So the IEEE-sponsored Professional Liability Insurance Plan is set up with customized rates that reflect your professional experience and your unique project and client load situation. The result is pricing tailored to you.

Under this important program, you will not pay more to “make up” for the poor liability history of another firm or technology professional. Your rates reflect your own business situation.

Compare that with other insurance plans which offer “one-size-fits-all” pricing. In those situations, the rates for technology professionals at a high risk for a lawsuit are averaged with those at a low risk for a lawsuit. The result is: Technology professionals who have maintained exceptional risk management practices are penalized by paying higher rates that do not reflect their own liability situation.

But the IEEE-sponsored plan is different. First, group rates were specifically negotiated using the actual claims history of IEEE members. (This alone gives you an advantage over other plans.) Then your own rates are fine-tuned based on your specific business scope and services. The result is a custom rate quote ... reflecting your own project risks and business situation.

**Many IEEE members tell us Professional Liability coverage has simply become a “cost of doing business.”**

**Why?**

**Because members are required to provide proof of coverage before they can even bid on certain projects. Other clients are requiring the same proof of coverage before a project can be awarded.**

**Ready to see what your custom quote rate could be?** Complete the Custom Rate Quote Application Form enclosed in this Toolkit to help us develop an accurate quote based on your unique situation.

*NOTE: Your quote/coverage request is NOT a complete purchase nor acceptance for insurance. You are under no obligation. You will receive a custom quote and full coverage materials to review.*

*If everything is to your satisfaction, pay the premium AT THAT TIME to begin your coverage. With the IEEE-sponsored plan, members can pay via cheque or credit card.*

## 5. WHEN is the best time to set up coverage?

**If you are NOT currently covered — submit your Custom Quote Application Request Form now.**

If you wait until you're concerned you might be involved in a lawsuit, it will be too late. That's because your ability to get professional liability coverage at the best rate is directly tied to your potential for a claim.

You can't wait until you're in a wreck to buy auto insurance. It's the same situation with liability coverage. Waiting until you need the protection is almost certainly too late, and may prove extremely costly — to your business and personal finances.

**If you ARE currently covered — submit your Custom Quote Application Request Form now.**

Especially if your current coverage expires within the next 45 days, it's a good idea to get a quote now so you can make an "apples to apples" comparison. Now is the time to request your no-obligation quote to verify that you can save money as an IEEE member, or set up more coverage for your dollar.

### **EASY 2-STEP INSTRUCTIONS:**

**1. Complete the enclosed application to receive your Custom Quote.**  
**You're under no obligation.**

**2. Mail your Custom Quote Application Request Form to:**

Marsh Canada Limited  
IEEE Member Professional Liability Insurance Plan  
120 Bremner Boulevard, Suite 800  
Toronto, ON M5J 0A8

**Or EMAIL to:** [sales.queries@marsh.com](mailto:sales.queries@marsh.com)

As soon as your application arrives, we'll verify that you qualify for this important coverage and send your customized rate quote. (REMEMBER: Rates are based on your liability risk ... you won't pay a penalty for firms with higher risks.)

Once you see your custom quote, then you're free to make a decision. If this IEEE-sponsored Professional Liability Insurance Plan and price are right for you, simply send in your payment to begin coverage.



### **Questions?**

Call your licensed Marsh Canada Limited  
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