

# Risk Assessment and Review Toolkit for IEEE Members

*You have the big ideas ...*

*... We Have You Covered.*



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# IEEE BENEFITS: You Have The Big Ideas. We Have You Covered.

*Exclusive IEEE Member Benefit Program Delivers Financial Peace of Mind at Competitive Rates.*

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# IEEE BENEFITS: You Have The Big Ideas. We Have You Covered.

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Dear IEEE Member,

Thank you for requesting the **Risk Assessment and Review Toolkit**.

This Toolkit is brought to you by the Professional Liability Insurance Plan for IEEE members. As an IEEE member, this plan will give you outstanding professional liability protection that's comprehensive and affordable. These low rates have been negotiated for IEEE members only. And your rates are based on your exposure, not someone else's.

Whether you're self-employed or in a firm, you may qualify for this outstanding protection. And there's never been a better plan than the Professional Liability Insurance Plan for IEEE members.

If your firm is sued, expert legal help will be critical. That's just what you will get from the IEEE-sponsored plan.

In addition, if you provide computer-related services from your home-based business, you now qualify for the new general liability insurance option. It's often recommended you carry both professional and general liability insurance for complete protection of your business.

Please review the enclosed Toolkit to learn more about the importance of sound professional liability protection (as well as general liability coverage for home-based businesses) and how your IEEE membership gives you access to superior coverage.

See for yourself why other firms and self-employed technology professionals have switched to the Professional Liability Insurance Plan for IEEE members.

Sincerely,



Timothy R. Weber, Partner  
Mercer Health & Benefits Administration LLC  
Administrator, IEEE Member Group Insurance Program  
License #17526255

P.S. Make sure you have the right protection at the right price. Act now to get low rates and expanded benefits through the Professional Liability Insurance Plan for IEEE members.



## *Do I really need professional liability insurance?*

Professional liability insurance is recommended for technology professionals who are:

- **“Moonlighting”**—engaged in independent consulting on the side while employed by a company.
- **Self-employed temporarily**—consulting for an undetermined period of time. For example, you may be between jobs, considering retirement or are testing the waters working on your own.
- **Self-employed permanently**—on your own, solo or with partners.

Changing some of the facts to protect client confidentiality, we’ve collected examples from our files to illustrate how easily even the best professionals can become embroiled in professional liability claims.

**Example 1:** A member rendered services in the design of an electrical system for a warehouse. The claimant alleged the insured’s design incorporated fusing that was under capacity and failed, damaging related electrical equipment. The engineer performed these services after hours and not as part of their employment. Thankfully, the member had purchased a professional liability policy sponsored by IEEE to cover their self-employed activities.

**Example 2:** A member rendered services in the design of an electrical system for a commercial building renovation. The claimants alleged an improperly designed HVAC system caused excessive carbon monoxide levels resulting in personal injuries. The cost of defense, due to multiple claimants, was significant. This member had purchased an additional limit for defense costs that kept his limit of liability available for settlement payment.

Fortunately, the Professional Liability Insurance Plan for IEEE members, underwritten by Certain Underwriters at Lloyd’s of London, was there for each of these insured IEEE members. Each one knew their policies would pay for the cost of expert legal defense, as well as all costs incurred in the defense or investigation, up to the limits of liability. Guiding them through legal proceedings, paying lost work time and then paying court costs and settlements, these individuals counted on the vast experience in professional liability coverage that stands behind the Professional Liability Insurance Plan for IEEE members.



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## Things to consider when deciding if professional liability coverage is right for you.

- An employer's liability coverage will only provide protection for acts on behalf of your employer. If you have activities outside your employment arrangement, you will need to purchase your own coverage.
- A lawsuit brings with it significant losses, not only in time and money, but also in one of the most valuable commodities a professional possesses—self-confidence. Defending oneself consumes time, money and one's thoughts. Defendants lose valuable work time as cases drag on—typically for years. During that time a professional's confidence may be needlessly shaken or they may experience anxiety that can significantly impinge work performance.
- Most people are aware of liability risks in this litigious society. A better-informed public, aware of clients' rights and the potential to recover costs and damages and perhaps embittered by the failing economy, is often encouraged to bring suit against professionals. Informed professionals are even more aware of their vulnerability to liability issues every workday. They face increased risk exposure as more become self-employed. Whether claims are frivolous or fact, simply being named in a claim has significant emotional and financial expenses.

## What about general liability coverage? How does it differ from professional liability coverage?

As mentioned, professional liability insurance **protects the services you provide** if you're self-employed, moonlight or have activities outside of your employer's coverage. General liability insurance **protects your business entity**, including your home, from claims involving bodily or personal injury or property damage. For example, if a client falls at your home, general liability insurance covers the injuries (your homeowners insurance most likely doesn't cover your home-based business activities).

It is often recommended that technology professionals obtain both coverages to ensure that all aspects of their business are adequately protected against liability claims and eliminate the risks associated with gaps in coverage. In many situations, professional and general liability insurance policies are designed to complement each other (please see the comparison summary below). You now may qualify to apply for general liability insurance with the Professional Liability Insurance Plan for IEEE members. The General Liability Insurance Plan is specifically designed for members who provide computer-related services from their home-based business. See more details about this new option on page 9.



Coverage	Type of Claim	Type of Loss	What the insurance covers	Benefits of insurance coverage
Professional Liability	Negligence, misrepresentation, violation of good faith, inaccurate advice, error or omission, failure to render professional services	Financial	Protects services provided by professional practitioners, i.e., YOU	Provides reimbursement of legal fees and compensatory damages and access to legal assistance
General Liability	Bodily injury, property damage, personal injury or advertising injury	Physical and Financial	Protects the business entity's property	Provides reimbursement of legal fees and compensatory damages and access to legal assistance





***What is your risk for a professional lawsuit?  
Take this 10-point quiz to find out.***

Every day you provide your services, you risk being sued by a client or other involved party. Although you can't control whether a lawsuit happens, you can help minimize your risk.

This 10-point quiz will help you pinpoint your potential risks with the way you provide your engineering services. Simply review each question and note a "Yes" or "No" answer.

	Yes	No
1. Do you document all communications with your clients, including phone conversations and meetings, and make sure any changes to a project or plan are put in writing? .....	<input type="checkbox"/>	<input type="checkbox"/>
2. In written documents and contracts, do you always identify your client in 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 as well as accepting assignments outside of your expertise and/or geographic area? .....	<input type="checkbox"/>	<input type="checkbox"/>
4. Do you inspect each project at various phases of completion to 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 contractors are 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 Gramm-Leach-Bliley Act (GLB) 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"/>

**Please note:** While some of these questions may seem like common sense, it's important to recognize that even the smallest elemental thing can represent a significant risk exposure. In the hustle of a busy workday, even if just one of these is overlooked, you could be at risk of a lawsuit.



## ***So what is your score? How many answers were affirmative?***

**7–10 = LOW:** You're doing a great job of managing your services and your risk is relatively low. Though regardless of how well you do your job, you can still be sued by an unhappy client or other involved party.

**4–6 = MEDIUM:** You should consider making some improvements to manage your risk exposures and minimize the potential of a liability lawsuit.

**1–3 = HIGH:** You're at a high risk of professional exposure leading to a lawsuit against you and your engineering services.

No matter what your risk score, you can minimize some of your exposures right now by reviewing these handy tips:

- ✓ **Document, document and document.** From initial engagement letters and contracts to quality control procedures to changes in design or plans to every communication with a client, including emails, text messages and phone conversations. If you only comply with one “tip,” this is the most important one to remember!
- ✓ **Avoid giving or offering “informal” advice to clients, colleagues or friends.** You never know when your advice might be misinterpreted or misused.
- ✓ **Accept assignments with care.** Avoid projects outside your specialty or geographic region. 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.**

Following these tips with every client engagement will help you reduce your risk of a lawsuit—but nothing can prevent it if you have an unhappy client. And regardless of whether the lawsuit is justified or not, the costs to defend yourself could deplete your assets and damage your reputation. That's why IEEE sponsors a practical risk management solution to help protect you against the high costs of a lawsuit.



**What to consider when comparing professional liability insurance policies.**

**IEEE-Sponsored Program**

**Other Program**



**Does the policy provide prior acts coverage?**

Most professional liability policies today are offered on a claims-made basis either on a "full prior acts basis" or with a prior acts exclusion or retroactive "retro" date. If your policy has full prior acts coverage, this means the policy will cover claims made during the policy period, regardless of when the act or service occurred (even if that act or service is prior to your policy period). A retroactive date and prior acts exclusion date are the same thing: the act must occur after the specified date and the claim must be made during the policy period.



**Are flexible premium payment options available?**

When purchasing your professional liability insurance through the IEEE-sponsored Professional Liability Insurance Plan, you can pay for your premium in one of the following ways:

- With a check or money order;
- If your premium is \$1,000 or more, premium financing is available at competitive annual percentage rates; or use MasterCard or Visa.



**Is the coverage offered by an insurer with an A.M. Best rating of at least A- VII?**

It's important that the insurer is financially stable and able to meet its obligations. A.M. Best is an independent rating agency that monitors the financial fitness of insurance companies. "A-" means "Excellent" and the reference to "VII" means a financial size of \$50 to \$100 million in capital, surplus and conditional reserve funds. Lloyd's is rated "A" (Excellent) by A.M. Best and carries a financial size rating of XV (assets of over \$2 billion).\*



**Does your policy allow for defense costs to be paid outside the policy limits?**

Defense costs amount to 60 percent of the total dollars paid on professional liability claims against engineers. As a consumer, you need to consider that when deciding on the amount of coverage you should carry. In most professional liability policies, defense costs reduce the limit of liability. Look for an insurer that offers at least a partial defense cost limit in addition to the basic limits, or you may consider buying a higher limit of liability.



**Is the definition of professional services in the policy broad enough to encompass all of what you do as an engineer?**

Professional liability policies can differ significantly in the way each defines what services are covered. If the definition in the policy doesn't adequately address all of your professional services, the underwriter should be agreeable to endorsing the policy with language that better defines what activities are covered.

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**IEEE-  
Sponsored  
Program**

**Other  
Program**



**Does the policy provide coverage for former partners, officers, owners or employees?**

*Some professional liability policies only cover current principals and employees of the "Named Insured" leaving no individual coverage for former partners or employees even though they were insured under your coverage when the services were performed.*



**Will the policy provide a defense in licensing board actions?**

*Often a licensing board complaint is the precursor to an actual professional liability claim being made against you. Early involvement by your professional liability carrier at the complaint stage is a prudent risk management tool. These actions can be costly also if you need to hire a lawyer to protect your interests.*



**Does the policy provide for reimbursement for loss of earnings resulting from attendance at specified proceedings in relation to covered claims?**

*If you are called to attend a trial, deposition, hearing, mediation or arbitration proceeding involving a civil suit against you for a covered claim, you could be losing out on valuable billable hours. The Professional Liability Insurance Plan for IEEE members provides up to \$500 for loss of earnings to each insured for each day or part of a day of the insured's attendance as noted above. Reimbursement shall in no event exceed \$20,000 nor shall the total amount paid in any coverage period exceed \$20,000.*



**Is a risk management credit available?**

*A risk management or certified software development credentials premium credit of 10 percent is available to firms where a principal has attended the IEEE Risk Management Course or the Certified Software Development Credentials Course for continuing education.*



**Is the policy free of a deductible or retention?**

*In the engineers' professional liability insurance market, insurers are reducing deductibles for those firms with very good loss experience. The Program Administrator was able to improve on the market trend by eliminating the deductible for insureds in the IEEE-sponsored Professional Liability Insurance Plan. Underwriters reserve the right to impose a deductible where claim frequency or severity issues have arisen.*



**Does the policy provide coverage for technology-related exposures?**

*This IEEE-sponsored policy provides a broad definition of computer systems and information technology-related professional services to be covered under the policy. In addition, coverage for limited intellectual property risk, Internet content liability and breach of security in relation to denial of service, unauthorized access and theft of data will also be included.*

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## *IEEE-sponsored Professional Liability Insurance Plan*

As a member of IEEE, you are eligible to participate in a program that brings you all these benefits:

- Up to \$2,000,000/\$2,000,000 in Protection—  
You can choose from several levels of liability protection to fit your needs.
- Affordable Claims-Made Coverage—  
The Professional Liability Program for IEEE members is claims-made coverage. That means you're protected for claims first made during the policy period for acts happening after your retroactive date, provided you didn't know of the situation before the date your coverage began. Protection for prior acts is also available, as long as you had professional liability insurance in the past and meet underwriting guidelines.
- Premium Financing Helps Balance Budgets—  
The IEEE-sponsored plan makes it easy to budget for your professional liability protection. If your annual premium is \$1,000 or more, financing is available. In addition, MasterCard or Visa may be used to pay your professional liability premium.
- Negotiated Members-Only Rates—  
IEEE negotiates competitive group rates for its members. Then it goes on to save you money in two important ways. First, your premium is based on YOUR annual gross billings and more fairly reflects your risk. Second, it's step-rated to start out low, then gradually increases each year until the fifth year, when it levels off.
- Optional Defense Coverage—  
The Professional Liability Plan for IEEE members offers you even more protection in the event of a lawsuit. If purchased, the Optional Defense Coverage provides an amount above your per claim limit for defense coverage.
- Licensing Board Defense Coverage—  
IEEE wants to make sure you're covered if you are brought before the state licensing board. The IEEE-sponsored Professional Liability Plan provides you with \$10,000 in defense protection for no additional premium.
- Deductible-Free Coverage—  
In the engineers' professional liability insurance market, insurers are reducing deductibles for those firms with very good loss experience. The Program Administrator was able to improve on the market trend by eliminating the deductible for insureds in the IEEE-sponsored Professional Liability Insurance Plan who do not have claims.



■ Technology Coverage—

This IEEE-sponsored policy provides a broad definition of computer systems and information technology-related professional services to be covered under the policy. In addition, coverage for limited intellectual property risk, Internet content liability and breach of security in relation to denial of service, unauthorized access and theft of data will also be included.

■ Optional General Liability Insurance—

This coverage provides computer technologists with liability protection for claims arising out of bodily injury and property damage, personal and advertising injury, and medical payments. To be eligible, your business must operate out of your residence and you must be insured through the Professional Liability Program designed for IEEE members. Features of this new option include:

- Limits of liability: Up to \$1 million for each occurrence; \$100,000 damage to premises rented; \$5,000 medical expenses limit; up to \$1 million personal and advertising injury, and up to \$2 million general aggregate and product/completed operations aggregate.
- \$500 deductible/claim (additional options available upon request)
- Competitive rates
- Annual policy term
- Extended coverage to spouse
- Coverage for employees or volunteers if acting on your behalf
- Up to \$250/day for loss of earnings replacement for claim assistance
- Up to \$250 for cost of bail bonds
- Indemnatee defense provision
- TRIA coverage is included at no additional cost

To receive a quote for this additional coverage, please complete the Computer Services Supplement Form included with the enclosed application.

■ Risk Management or Certified Software Development Credentials Credit—

A professional liability premium credit of 10 percent is earned when you attend the IEEE Risk Management Course or the Certified Software Development Credentials Course for continuing education.

To claim your 10 percent premium credit, you will need to complete the IEEE Risk Management Course or the Certified Software Development Credentials Course and purchase your coverage through the IEEE-sponsored Professional Liability Insurance Plan. To qualify for this IEEE member-exclusive offer, the IEEE Risk Management Course must have been completed within the past 15 months and you must submit the course Certificate of Achievement at the time of your application for coverage. For the Certified Software Development Credentials credit, please submit a copy of your certification. At least one principal of the firm must meet these requirements for the firm to receive a credit. The maximum Risk Management credit or the Certified Software Development Credential credit is 10 percent in one policy year. For more information on the Risk Management Course, please go to <http://ieee-elearning.org/course/search.php?search=risk>. For more information on the Certified Software Development Credentials Course, please go to <http://www.computer.org/portal/web/certification>.

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## ***Act now to get unbeatable professional liability protection.***

Simply complete the application and return it to:

IEEE Member Group Insurance Program  
P.O. Box 8146  
Des Moines, IA 50306-8146

Or fax: 515-365-3043

Once we receive your application, we'll verify that you qualify for protection and send you a customized rate quote. Look it over. When you're sure the IEEE-sponsored plan and price are right for you, send in your payment.

See for yourself why other firms and self-employed technology professionals have switched to the Professional Liability Insurance Plan for IEEE members. There's no obligation.

Send in your application today.

For answers to your questions, please call 1-800-375-0775 to talk with a knowledgeable professional liability insurance specialist.

