

**THE CITY OF WINNIPEG
RISK MANAGEMENT**

FOR CONSULTANT CONTRACTS ONLY

Professional Liability/Errors & Omissions Insurance

Category	Notes	Typical Limits Full terminology on subsequent pages
<p>A Professionals with one or more contracts throughout the year</p>	<p>Where a company will perform one or several consulting jobs for the City throughout the year, a blanket certificate may be submitted expressly stating the limit currently carried. This certificate should be submitted at the beginning of the entity's insurance renewal period. The City will review the jobs awarded with the existing coverage in mind and there may not be a need to purchase additional cover except perhaps in extreme cases.</p> <p>A listing of companies and their current limits may be obtained from the Insurance Branch.</p> <p>There are areas of expertise, or professional fields, where this type of insurance is prudent, and usually mandatory; such as:</p> <ul style="list-style-type: none"> • Engineer • Doctor • Lawyer • Accountant • Broker • Architect or Landscape Architect • Large IT Firm <p>For a complete list, please refer to AIT Professionals found in the City's Administrative Directive.</p>	<p>Limits are entity specific and may be unique to each entity based on risk factors determined by the underwriters. The City will review existing limits against the scope and risk of project or projects to determine if current limit is satisfactory or if additional limits will be required.</p>
<p>B Value of consultant contract exceeds 2 million, or high risk/unique projects</p>	<p>Contact Insurance Branch for appropriate coverage and limits. High risk activities and large projects will likely require customized terms; such as Freeway/Bridge projects or Treatment Plant upgrades, etc.</p>	<p>Will vary according to risk factors and type of work. If project is substantial the City may purchase this insurance on a project basis.</p>

There are other experts the City may hire that may require Professional Liability/Errors & Omissions insurance. These may not fall under Consultant Contracts but rather Service Contracts or other forms of Agreements. For more information contact the Insurance Branch (details on page two).

PROFESSIONAL LIABILITY DEFINITION (FROM AN INSURANCE PERSPECTIVE)

Higher professional standards require better protection. Professional Liability or Errors and Omissions Liability insurance is an insurance policy against liability due to errors or omissions in the performance of professional services. Simply put, it provides coverage for situations not covered by a general liability policy. A general liability policy addresses situations of property damage or bodily injury. However, it does not cover professional errors or negligence. That's where Errors and Omissions insurance can offer the protection needed, including coverage for potential legal defense costs.

When hiring consultants it is important to realize that some are defined as professionals in the world of insurance and some are not. Therefore not all consultants are able to purchase this type of insurance. As well, the limits readily available vary widely between disciplines and between entities within these disciplines.

This makes it more difficult to standardize or template potential applications of this type of insurance coverage. Before an informed assessment of risk may be made by the Insurance Branch, more information will be needed to accurately determine levels of insurance required.

OTHER ASPECTS TO CONSIDER WHEN DETERMINING INSURANCE LIMITS:

- What is the scope of the project?
- What are the worst case scenarios that could result from their work?
- What is the contract value?
- What is the duration of contract and areas being covered i.e. throughout the City or within the scope of one department?
- Is insurance available for this type of work? (To be answered by Risk Management)

Given our high volume of work, the Insurance Branch would appreciate being provided with as much lead time and details as possible in order to assist with the correct determination of insurance requirements.

Contact Details:

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or

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In addition to limits of liability, warranty periods may vary according to type of services provided. As an example, professional liability for a large bridge project should be carried for 24 or 36 months after completion date. This warranty period allows for a discovery period of fault during which a Professional Liability policy would respond.

Terminology used:

Professional liability or Errors and Omissions liability insurance in the amount of at least **X** million dollars (**\$X**) per claim and **Y** million dollars (**\$Y**) Aggregate. Such policy to remain in place at all times during the performance of the Services and provide for a **Z** extended reporting period or remain in place for **Z** after the completion date;

Example:

Professional liability or Errors and Omissions liability insurance in the amount of at least one-half million dollars (\$500,000.00) per claim and one million dollars (\$1,000,000.00) aggregate. Such policy to remain in place at all times during the performance of the Services and provide for a one year extended reporting period or remain in place for one year after the completion date;

Determining Limits:

An example of the complexity and variance of options is detailed below thereby underscoring the need to underwrite each contract or agreement on an individual basis. A small one-man company is unlikely to be able to purchase, at reasonable cost, the same limits of cover as a large corporation.

AS AN EXAMPLE: Engineers & Architects traditionally select limits arranged as follows and you'll note the wide variance which could not be anticipated by anyone here at the City of Winnipeg. The variances are determined by insurance underwriters through a detailed application process that determines the extent and scope of operations and risks unique to that particular entity.

<u>Per Claim</u>	<u>Aggregate</u>	<u>Per Claim Limit:</u> As an example, with a \$500,000 per claim limit an insurance company will pay out a maximum of \$500,000. per claim even if the claim totals \$750,000. The balance of costs must come from elsewhere.
\$250,000.	\$500,000.	<u>Aggregate Limit:</u> This means the maximum payable under a policy within a policy term. If the aggregate limit is \$1,000,000. an insurer will pay a maximum of two \$500,000. claims per policy term, or four claims totaling \$250,000. each, etc. Again costs exceeding either the Per Claim limit or Aggregate limit must come from a difference source.
\$500,000.	\$1,000,000.	
\$1,000,000.	\$2,000,000.	
\$2,000,000.	\$5,000,000.	
\$5,000,000.	\$5,000,000.	

Our job here in the Risk Management Department is to assist in determining adequate insurance limits for each contract or agreement that best protects the City of Winnipeg and the City of Winnipeg's core insurance program, while at the same time, transferring the risk fairly to the third party.