Principles of Insurance

2024

OUR AGENDA

Upon completion of this presentation, participants will be able to:

- **Explain Insurance and the Insurance Contract**
- **List and describe the basic principles of Insurance**
- **Define Tort and Negligence**
- **Identify type of insurance - legal duties and liabilities**

WHAT IS INSURANCE?

“the losses of few are paid by the premiums of many”

Insurance is a means of protection from financial loss

Transfer potential cost of a loss from the individual or entity to the insurance company

A payment (premium) is charged in exchange for the Insurer's promise to compensate the insured in the event of a covered loss.

The loss may or may not be financial, but it must be reducible to financial terms, and usually involves something in which the insured has an insurable interest established by ownership, possession, or pre-existing relationship.

Insurance Contract

The document that makes tangible the intent of both parties to the contract

Formalizes the agreement between buyer and seller

Contains terms, clauses, stipulations and requirements that form the key elements of the agreement

Most often issued for a one-year term

To advance a claim under the policy, the insured must demonstrate that the loss or damage occurred during the policy term and that they paid for the coverage

Insurable Interest

Indemnity

Utmost Good Faith

Subrogation

Proximate Cause

Contribution

What is a Tort? A tort is a wrongful act (or omission) arising in the course of social relationships (other than contracts) which violates a person's legally protected right, and for which the law provides a remedy in the form of an action for damages.

What is a Tort Feasor? The person who commits a tort, or the person who commits harm to another person.

Intentional Tort: is done with the design of injuring another person or that person's property.

Negligence Tort: results from a failure to exercise care for the safety of the person or property of others. It may result from carelessness, neglect, or indifference, and is not intentional at all. The careless person is still answerable for the injury, loss or damage.

Negligence: The failure to act with reasonable care which is expected of a person in order to prevent harm to others. Negligence can either be enacted through action or by not taking any action.

Key Elements of Negligence:

Duty of Care: Must owe a duty of care to the claimant. This means the you are expected to act in a manner that a reasonably competent engineer would under similar circumstances.
Breach of Duty: There must have been a breach of this duty by failing to meet the standard of care. This could involve errors in design, oversight, or failure to adhere to industry standards.
Causation: There must be a direct link between the breach of duty and the harm caused. The claimant must prove that the actions (or inactions) directly resulted in the damage.
Damages: The claimant must have suffered actual harm or loss as a result of the negligence. This could include physical injury, property damage, or financial loss

Negligence: Failure to use the degree of care expected from reasonable and prudent person.

Types of Insurance

Engineers

Automobile

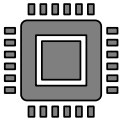
Covers vehicles used for business purposes, protecting against accidents, theft, and vandalism

Property

Covers damage to business property, including buildings, equipment, and tools.

Workers Compensation

Provides coverage for medical expenses and lost wages if an employee is injured on the job.



Cyber

Protects against data breaches and cyberattacks.

Types of Insurance

Engineers

Professional Liability

Covers claims of ne gligence, errors, or o missions in the profe ssional services pro vided

General Liability

Protects against claims of bodily injury, property damage, and personal injury (like libel or slander).

Umbrella

Provides additional liability coverage beyond the limits of your other policies.

Commercial Automobile Example

Scenario: Alex frequently travels to construction sites. One day, Alex rear-ends another vehicle, causing damage and minor injuries.

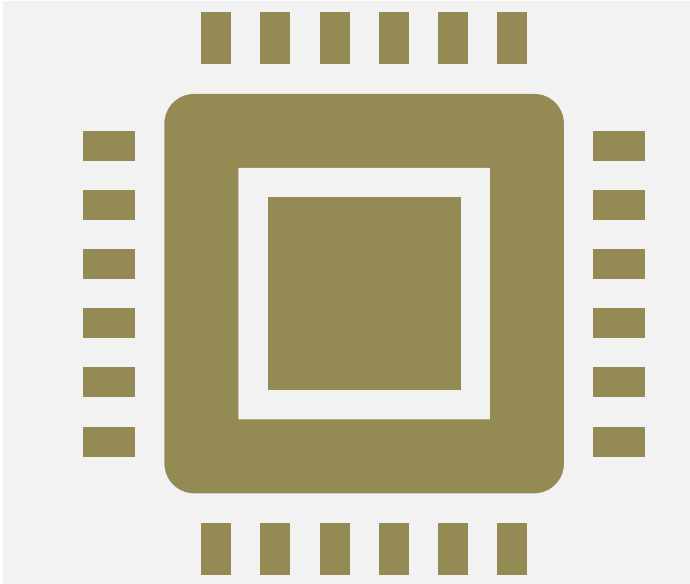
Without Insurance: Alex pays out-of-pocket for repairs and medical expenses.
With Insurance: Costs are covered, protecting Alex from financial loss and ensuring business continuity.

Commercial Property Example

Scenario: An engineer’s office is damaged by a fire, destroying valuable equipment and important documents.

Without Insurance: The engineer must pay out-of-pocket to replace equipment and repair the office.
With Insurance: The costs of repairs and replacements are covered, allowing the engineer to quickly resume work without significant financial strain

Cyber Example



Scenario: An engineer at a firm accidentally clicks on a phishing email, leading to a data breach that exposes sensitive client information.

Without Insurance: The engineering firm would have to cover the costs of notifying affected clients, hiring cybersecurity experts to mitigate the breach, and any legal fees or fines out-of-pocket.

With Insurance: The costs of breach response, including client notifications, cybersecurity experts, and legal fees, are covered.

Workers Compensation Example

Scenario: An engineer is working on-site at a construction project when they accidentally trip over some equipment and sustain a serious injury, resulting in a broken leg and several weeks of recovery time.

Without Workers' Compensation Insurance: The engineer would have to cover their own medical expenses and might not receive any income during their recovery period. **With Workers' Compensation Insurance:** The insurance policy would cover the engineer's medical expenses and provide compensation for lost wages during their recovery period. This ensures that the engineer can focus on healing without worrying about financial strain

Umbrella Examples

Scenario: An engineer is visiting a client's site when a piece of equipment accidentally falls and injures a bystander catastrophically. The bystander sues for damages, claiming emotional distress, inability to carry on a "normal" life and loss of income.

Without Umbrella Insurance: The engineer's primary insurance will cover the medical expenses and legal fees up to the policy limits. Anything exceeding the limit would be paid by the engineer out-of-pocket.
With Umbrella Insurance: The umbrella insurance policy kicks in after the limits of the primary insurance are reached, covering the additional costs of medical expenses, legal fees, and any awarded damages.

General Liability Example

Scenario: An engineer is visiting a client's site when a piece of equipment they are using accidentally falls and injures a bystander.

Without Insurance: The engineer would have to pay for the bystander's medical expenses and any legal fees out-of-pocket.
With Insurance: The costs of medical expenses and legal fees are covered, protecting the engineer from significant financial loss and legal complications

Professional Liability Example

Scenario: An engineering firm is contracted to design the structural framework for a new building. Due to an oversight, the design includes a critical error that compromises the building's structural integrity. After construction begins, the error is discovered, necessitating a halt in the project and a redesign.

Without Insurance: The engineering firm would be responsible for covering the costs of the redesign, any additional construction expenses, and potential legal fees if the client decides to sue for the delay and increased costs.

With Insurance: The insurance would cover the costs associated with the redesign, additional construction expenses, and legal fees.

WHAT CAN YOU DO TO MITIGATE INSURANCE EXPOSURES?

Ethical Conduct: Adhere to ethical standards and professional codes of conduct. Avoid conflicts of interest and always act in the best interest of your clients and the public.

Professional Development: Continuous Learning and professional development

Insurance Coverage / Contract: Adequate liability insurance

Risk Management: Identify potential risks early in the project and development strategies to mitigate them

Quality Control: Implement strict quality control measure

Documentation: Keep detailed records of all project-related activities

Communication: Ensure that all expectations, project scopes, and potential risks are discussed and documented

QUESTIONS