



## How Much Will Professional Liability Insurance Cost a Start-up Architectural Firm? February 2011

The most common question I receive from [architects](#) that are considering starting their own practice is "How much will my [professional liability insurance](#) cost?" In 2010 [Hall & Company](#) wrote 315 architectural firms that employed one person. These firms were located in 42 states and were placed with 10 different [insurance companies](#). Below are the statistics on what these firms paid for their Professional Liability Insurance Coverage:

### Cost of PLI for 1 person Architect Firms

GROSS REVENUES		AVERAGE COST OF PROFESSIONAL LIABILITY INSURANCE
Equal to or less than \$50,000		\$1,780
Equal to or less than \$100,000	But more than \$50,000	\$2,353
Equal to or less than \$150,000	But more than \$100,000	\$3,689
Equal to or less than \$200,000	But more than \$150,000	\$4,780
More than \$200,000		\$4,929

This being the statistics, recognize that coverage costs vary by:

- State in which the practice is located,
- The limits of coverage purchased,
- Project types being designed, and
- The experience loss history of the Architect applying for coverage.

Recognize that about half of the firms paid less than the average shown and the other half paid more. Such is always the case with an average. Also, the cost of insurance varies year to year as the market for insurance hardends or softens. The prices shown above are for firms that purchased coverage in the year 2010.



John Becker joined Hall & Company in 2007 to help establish and manage a Small Commercial Accounts Department within our brokerage firm which specializes in providing services exclusively to design professionals. John and his group pride themselves in providing their clientele with swift response time, personal attention and specialized knowledge of the particular insurance needs for design professionals.

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## What should you expect the first time you apply for insurance?

Professional liability insurance protects your firm against [claims](#) and/or allegations of negligence, errors or omissions in your delivery of professional services. In order for an insurance company to evaluate and price their risk in insuring your firm, they ask that you complete an [application for insurance](#). The application captures information about where your business is located, how much revenue you earn annually, the discipline and project mix your firm engages in, and the [risk management](#) protocols you have implemented that help minimize your exposure to claims, as well as if anyone has ever made a claim against your work in the past.

If you are in the process of starting a new firm, the underwriter will want you to provide estimates of what you anticipate for your first year in business. A solid business plan goes a long way in terms of providing underwriters comfort, so I recommend submitting a brief narrative stating your goals for the new firm and the general direction you intend to take the firm and your previous project experience.

In order to qualify for Architects Professional Liability insurance, you must hold a registered and/or licensed architectural license.

## What do you need to provide to get a quote?

- A complete application. I recommend either a typed electronic application or one printed in a clear, legible manner. Submissions that are put together hastily tend to be priced higher or declined by underwriters.
- A resume showing representative projects, education and any Society/Association affiliations that you hold. Associations show the insurer that you are committed to your profession and that you participate in continuing education.
- A Narrative stating your mission statement as well as the direction you intend to take your business and your goals for growth.

## Annual renewals of coverage

Once you commit to purchasing a policy you will need to renew the policy annually to maintain coverage of all the work you have performed under your new firm. Professional liability insurance is written on a "claims-made" basis. This means a policy must be in force at the time a claim is made in order for coverage to apply. Also all policies contain a "retroactive date", which is the inception date of your first professional liability insurance policy.

It is not possible to get coverage for work that you performed before you started buying professional liability insurance. Also, coverage is not provided for any circumstance that has occurred that you believe may give rise to a claim. This all adds up to the importance of buying your professional liability insurance coverage when you start your practice.

To request a quote or discuss your insurance program needs with John, contact him directly at (360) 626-2959 or by email at [john@hallandcompany.com](mailto:john@hallandcompany.com). To learn more about Hall & Company's capabilities, visit our web site at [www.hallandcompany.com](http://www.hallandcompany.com).

*"It has been a pleasure working with you and I will be pleased to recommend you to my colleagues. Your willingness to 'go to bat' for me resulted in a savings of over \$600 on my professional liability insurance. That really helps a 'single shingle'."*

*Janet Corsale  
–Salmon River Engineering, PLLC*