

## Hanover Architects & Engineers Advantage

# Frequently Asked Questions (FAQs)

**Q: Will you offer an occurrence form?**

A: No. A&E professional is a Claims-Made form.

**Q: What is a Claims-Made Policy?**

A: A liability policy that provides coverage for a loss if the claim is first reported during the policy period. This is in contrast to Occurrence policy forms, which cover losses that occur during the policy period, regardless of when the claim is first made or reported. Generally, professional liability policies are only written on a Claims-Made basis.

**Q: What is meant by a "prior acts date" or "retro date" (retroactive date)?**

A: A date stipulated in a Claims-Made policy as the date at which, and following, professional services are covered by the policy. A typical Claims-Made policy provides coverage beginning at the effective date of the contract. The prior acts date is designed to specify coverage for claims resulting from incidents that took place prior to the current policy effective date.

**Q: Why is it important?**

A: Incidents which happened prior to the "prior acts" date would not be covered under the policy.

**Q: Why should an insured expect their premium rate to increase for the first five years?**

A: This issue should be discussed with the insured. As noted above, the insurance contract is for claims made during the policy period, for professional services rendered after the "prior acts date". **Statistics show that claims on A&E services typically arise within 5 years of substantial completion.** The first policy issued is limited in that it does not cover any services rendered prior to the effective date of the policy. When it is renewed, the time period for coverage will be longer,

assuming the "prior acts date" remains the same (or is even moved farther back in time) and the potential for claims on previous services increases. Subsequent renewals further extend the time period for which coverage would apply. After four renewals, and subject to other factors that influence premium rates, underwriters may rate the risk as "matured", with the claim potential being viewed as "level", rather than increasing.

**Q: Will you add the insured's clients as "Additional Insureds"?**

A: No. A professional liability policy provides coverage only for claims arising out of the rendering of professional services the insured is legally qualified to perform for others. Since a client does not typically render professional services, a client would receive no protection by being named as an "additional insured". Naming a client as an "additional insured" would, in fact, void coverage for claims made against the insured by the client for whom they are rendering professional services. See II. Exclusions E. 12. c), which excludes claims brought by an insured against an insured; otherwise known as an "Insured vs. Insured" exclusion.

**Q: Will you provide defense outside the limit of insurance?**

A: No. The limit of insurance provided is the maximum limit available for all costs associated with a covered claim, which includes defense, loss payments and expenses. The insured needs to carefully consider purchasing an adequate limit of liability, with the understanding that defense is included within the limits.

**Q: Is terrorism coverage excluded?**

A: No.

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**Q: What does the “first dollar defense” deductible option provide?**

A: Coverage that indemnifies the policyholder for the cost of defending against claims when the claim falls within a policy’s deductible, up to \$10,000. For deductibles that are over \$10,000, the insured would only be responsible for the difference between \$10,000 and the deductible amount. The intent is to eliminate, or limit, for the insured, defense costs associated with frivolous lawsuits. The deductible would still apply to loss payments. To view the endorsement for this coverage, see [Claims Expense Endorsement \(910-0213 12-09\)](#) on our “Applications & Forms” tab.

**Q: What does “Defendant Reimbursement” provide?**

A: The policy will reimburse your actual loss of earnings, up to a maximum amount per day, and subject to an aggregate, because of time off from work for attendance, at the insurer’s request, of a civil proceeding against you, related to a claim that is otherwise covered under the policy. To view the policy form, go to the “Applications & Forms” tab. Refer to [D. Definitions, Claim Expense 3](#).

**Q: What is the “extended reporting provision (ERP)” about?**

A: The period allowed under most Claims-Made policies for coverage of insured professional services for incidents or events that occurred during the policy period but are not submitted as claims until after the policy is expired. The ERP feature would usually not be necessary when a renewal policy is being provided by the expiring insurer, as they would usually provide for the original “prior acts” date. However, if the insured is moving their coverage to a new insurer, which is limiting coverage to acts, errors or omissions which occur only after the effective date, or a date not as far back as the current “prior acts” date, the insured should consider retaining coverage prior to that date, which would be available through election of the ERP under the expiring policy. The time period of the ERP is usually limited, and requires an additional premium.

**Q: Do you provide “pre-claim” assistance?**

A: Yes. The policy automatically provides coverage for **Pre-Claims Assistance** defined as “If you report a **potential claim** to us in writing during the **policy period**, any costs or expenses we incur in investigating or monitoring the **potential claim** will be paid by us. The decision to incur any costs or expenses in regards to a **potential claim** is at our **sole discretion**”. As such, coverage is further enhanced because the deductible does not apply to claim expenses (attorney costs, investigative costs) unless a claim is actually made. This is very valuable when the insured’s records are subpoenaed or the insured is being deposed for a dispute between others. To view the policy form go to the “Applications & Forms” tab. Refer to [A. Coverage, 5](#).

**Q: Are there warranties in the application?**

A: Yes. A warranty is a statement to the insurer by an insured upon which the validity of the policy depends. The insurance contract is not binding unless the warranty statements provided are true. Representations appear in the application and/or documents collateral to or supporting the policy; they are required to be substantially true.

**Q: Will you provide coverage for “leased” employees?**

A: Yes. See [Definitions, Insured, 3](#), which includes, in part, “leased personnel under your direct supervision”.

**Q: What is the meant by “equity interest” issue?**

A: It is important that the insured understand the relationship between them and their clients, as respects coverage afforded under the policy; which: 1) excludes coverage for any claims made against the insured by any person, firm, or entity which is owned, managed, or 2) is controlled by the insured or in which the insured has an ownership interest in excess of 50%, or 3) in which the insured is an officer or director; or owns operates or manages the insured. See [E. Exclusions 12. a. & b.](#) in the policy on the “Applications & Forms” tab.

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