



Education, Certifications, Special Skills

Masters of Business
Administration
*Stanford Graduate School of
Business*
Bachelor of Science in
Mechanical Engineering
Rice University
Texas Engineering 38724

Experience

Management of construction
organizations for 42 years.
Member of 51 project teams

Professional and Community Affiliations

AGC Project Delivery Systems
National Subcommittee –
1998-99
Lorman Seminars 2003-2014
USGBC and CEFPI speaker
Adjunct Faculty Texas A&M
2012-2013

Founder and First President,
West University Recycling

We got a request for a project management proposal the other day that included the requirement for professional liability insurance, and it got me to thinking about business financial products that don't do what you think they do.

My first awakening was a few years ago when I found that construction surety bonds don't often result in the completion of the contested work by the bonding company. Our bonding agents said :

Of course not.... We are here to check your possible bidders financial capacity and prevent a financially weak company from bidding. If they get the job, and you guys mess them up, we will do everything we legally can to avoid paying for it. That's why it's called surety rather than insurance."

A few months later I read a presentation by Steve Nelson of SureTec to an industry council called "Why Your Surety Won't Do What You Want Them To". I'll put it on our website for you to read. In 42 years I have had one bond that resulted in some surety compensation.

I suspect that professional liability insurance for architects, engineers, and project managers has similar performance results. We have spent spare time for several weeks looking for data on premiums paid by covered firms, and settlements on owners claims under that insurance. The best information comes from the American Council of Engineering Companies who poll both the insurers and ACEC members. From the 14 insurers that do most of the business we know that the total premiums for designers and managers is about \$1.5 billion to \$2.0 billion per year. ACEC members are about 22% of that. Medical organizations are 30 times as much in insurance premiums than we are, so maybe we should be happy.

The trouble is that that means \$400 million in premiums are paid by ACEC members and through them their owner clients, about 1% of their fees, but insurers paid out only \$44 million in settled claims (and \$8 million to attorneys). Two thirds of the claims resulted in no payment at all. So if you are an owner you are paying out a dollar and getting back on average a dime. Maybe we should ask for our money back.

Look at www.spms.us/writing.html. There's some good stuff there!