



Making the Transition to Running Your Own Firm

The AIA Trust, along with Victor and CNA Insurance, developed a guide to assist design professionals embarking on that path. *Making the Transition to Running Your Own Firm* anticipates many questions of the new firm owner, offering solutions and suggestions. The professional entering into private practice is encouraged to consider insurance to cover professional liability and the risk of property and personal loss. Architects may also have staff for whom they wish to provide benefits such as life insurance, disability insurance, and retirement plans.

After reading the booklet, you may answer the following questions. **Scan completed test and email to AIATrust@aia.org.** Once we receive your questionnaire, you will be emailed an answer sheet with the correct responses and we will then add the credits to your online transcript.

T F	1. All design firms are legally required to have professional liability insurance coverage
T F	2. Professional liability insurance is frequently called <i>errors and omissions</i> or E & O insurance
T F	3. The true value of a professional insurance policy can probably be best defined by the claims handling process
T F	4. Under a <i>claims-made policy</i> , all coverage ceases when the policy is canceled or not renewed, even though the design professional may have been insured when the services were rendered
T F	5. Minimum annual limits of liability for E & O insurance is usually set at \$100, 000 with maximum limits running as high as \$15 million

T F	6. Each firm's premium is calculated individually
T F	7. An indemnification clause is a contractual assumption of another's legal liability
T F	8. Project insurance covers all design team participants, insured and uninsured
T F	9. Legally, a joint venture is exactly the same as a partnership
T F	10. Business Owners Insurance protects virtually all project delivery methods including design-build, joint venture, construction management services and traditional design-bid-build
T F	11. Employment practices claims are an increasingly popular basis of civil litigation
T F	12. There are no federal and state laws to protect employees against wrongful termination
T F	13. Commonly covered claims under an employment practices liability policy include wrongful termination, harassment discrimination, and employer retaliation
T F	14. Homeowner policies do not adequately cover a home-based professional practice
T F	15. The design professional's office contents cannot be insured by a standard policy covering fire, windstorm, and other extended coverage risks

T F	16. Unfortunately there is no insurance against business interruption for computer crashes
T F	17. Business interruption coverage is available for actual gross earnings based on the firm's history
T F	18. Documents in storage as well as work in progress can be insured however coverage is not available for clients' documents in the charge of the design professional
T F	19. Directors and Officers Liability Insurance is essential for any firm that is established as a business corporation
T F	20. There is no coverage available to protect fiduciaries against liabilities that may arise from their oversight of any employee pension plan
T F	21. Certain insurance coverage for firm employees is mandated by statute
T F	22. Legally, an employer is not required to carry worker's compensation insurance which includes medical expenses, lost wages, and death benefits
T F	23. Employees are precluded from suing their employers for injuries covered by workers' compensation
T F	24. Disability benefit laws provide benefits for employees who are disabled due to non- work-related conditions
T F	25. Flexible health care spending accounts permit participants to make pretax contributions toward out of pocket health care costs. Contributions are exempt from FICA, federal, and usually state income taxes

T F	26. Group term life insurance is commonly provided to all employees as a fixed-dollar amount per employee or as a multiple of salary
T F	27. Short-term disability coverage protects against absence from work up to a period of four months
T F	28. Business overhead expense coverage is similar to long-term disability, however BOE also protects business-related expense in the event of complete disability of a business owner. The period of benefit ranges from 12 to 24 months
T F	29. SIMPLE 401(K) plans allow individuals to defer a part of their salary and the firm can adopt this plan for staff without being subject to minimum contribution requirements
T F	30. It is advisable to contribute as much as you can afford to right now, however even lower amounts help you to reach your retirement goals. If you haven't yet started a retirement plan you should make it a priority to visit www.TheAIATrust.com and investigate retirement plan options as soon as possible