An Evolution in Loss Prevention

From SERMC to SELPP

Gary P. Ten Eyck, P.E.

The Structural Engineers Risk Management Council (SERMC) was formed during the liability insurance crisis in the late 1980's. You may recall that liability insurance for structural engineers was either cost prohibitive or not available at all. A group of structural engineers met with DPIC president, Peter B. Hawes, to see what could be done. The message was simple; improve your practices, reduce claims, and practice sound risk management procedures. The result of this vision and the commitment of Mr. Hawes, DPIC, and this group of structural engineers was the formation of SERMC in 1988. This was an approach never tried before in the practice of structural engineering.

The mission of this organization was simply "To provide its members affordable professional liability insurance, and to improve the practice of structural engineering."

That initial board of directors, the "founding fathers," realized that the first order of business was to see, first hand, how structural engineering was being practiced at the firm level. Thus, the Technical Peer Review (TPR) program was born. Practicing engineers were trained to conduct these reviews with their peers. The results were not always what the reviewers hoped for. Few firms had written contracts, client evaluation was rare, and quality control was marginal to say the least. The mentoring aspect of the TPRs was one of the biggest influences in bettering the practice of SERMC firms.

> *"…how structural engineering was being practiced at the firm level."*

SERMC

Structural Engineers
Risk Management Council

The loss prevention programs grew as did the SERMC membership. By the turn of the century, there were over 630 firms in the program. During the 90's, other programs were added – claims reviews and loss prevention seminars to name a few. During the same time, SERMC committees produced numerous documents: The *Six Prescriptions for Success, Anatomy of a Claim, The Engineers that Could,* and *A Guide to the Practice of Structural Engineering* (a primer for recent graduates).

> *"…remained exclusive to firms insured with DPIC. "*

While the goal of the organization was to better the practice of structural engineering globally, the programs and publications remained exclusive to firms insured with DPIC. (A solution to this dilemma will be discussed later in this article.) SERMC did develop a liaison with the Council of American Structural Engineers (CASE). Since the focus of CASE was promoting good business practices, it seemed logical for the two groups to have a representative in each of their organizations to avoid overlap and duplication of effort. As an example, SERMC purchased and promoted the use of the CASE contracts. Even with the DPIC exclusivity, the SERMC programs were well known to the industry, and the SERMC name became synonymous with loss prevention and good business practice.

The system worked! Losses were reduced and premiums declined. The TPR reviewers saw the progress during their reviews. Most all firms used written contracts (quite often the CASE contracts for structural engineers); potential clients were evaluated; and design quality control improved dramatically.

In 1996, a SERMC convocation was held in San Antonio to celebrate the success of the program. All the membership was brought together to network and share in good practice management. The convocation was so successful that a second convocation was held in Chicago in 2000.

In the late 1990s, the liability insurance industry experienced another crisis – DPIC was purchased by a large British insurance group. Being bottom-line driven, the parent company saw little benefit in risk management and improving practice. Thus, in January 2003, DPIC cancelled the SERMC program.

Shortly thereafter, a core group of loyal "SERMCIANS" met to see if the great work that had been done could be salvaged. This group was encouraged by the fact that support was coming from the entire structural engineering community, not just among former SERMC members. This core group met in Chicago in August 2003 to evaluate its options. Consideration was given to aligning with another insurance company or underwriting group. While there were several attractive proposals, it was felt that this would not be in the best interest of SERMC. It was agreed that an independent organization could better serve the entire profession. The other three structural engineering organizations – Structural Engineering Institute (SEI), Council of American Structural Engineers (CASE), and the National Council of Structural Engineering Associations (NCSEA) – realized the importance of the program and the benefits to the practice of structural engineering. They

> *"…an independent organization could better serve the entire profession."*

offered to become partners with SERMC in perpetuating this work. For purposes of preventing confusion, the name "SERMC-II" was used.

The four organizations (SERMC-II, SEI, CASE, NCSEA) met in October in Denver to form a committee to determine:

- The direction of the new organization
- What programs would be instituted
- Funding
- A workable timetable.

This committee met again in January 2004. One of the most important decisions reached had to do with a name for the organization, since the SERMC name was "owned" by DPIC. It was decided to name the new group the "Structural Engineering Loss Prevention Program" (SELPP). In addition, a more detailed discussion took place of the above bulleted items. Program options were discussed, as well as budgetary requirements to fund the organization. It is hoped that the profession will actively support this program, which is an important step in responding to the latest liability crisis. SEI, CASE and NCSEA offered initial seed money necessary to fund the early work of SELPP.

"…name the new group the "Structural Engineering Loss Prevention Program" (SELPP)."

An organizational meeting is planned May 11, 2004, in Colorado Springs. It is anticipated that a significant representation of the structural engineering community will attend. The committee's goal is to discuss their findings to date with those in attendance in order to reach a consensus allowing SELPP to move forward, and to formalize this program for risk management and loss prevention.

The future for SELPP and the continuation of the loss prevention programs looks positive, especially with support shown thus far from SEI, CASE and NCSEA.

Stay tuned for further developments……

Gary P. Ten Eyck, P.E. is vice president of Unified Building Sciences and Engineering, Inc., a structural engineering firm in Richardson, Texas. A long-standing member of SERMC from 1990 to 2003, he served as president for a two-year term and was active in the Technical Peer Review committee. Mr. Ten Eyck is currently serving on the CASE contracts committee, as well as the SEI design practices committee.