

Ames & Gough
8300 Greensboro Drive, Suite #980
McLean, VA 22102

News Release

ARCHITECTS & ENGINEERS SEE PROFESSIONAL LIABILITY INSURANCE RATES FLATTEN AMID INTENSE INSURANCE MARKET COMPETITION

Ames & Gough Survey Finds Insurers Seeking Rate
Stability as Claims Picture Improves

*For further information, contact:
Dan Knise, 703-827-2277, or
Al Modugno, 917-414-4569*

WASHINGTON, DC, March 13, 2017 – Although a slim majority of insurance companies providing architects and engineers professional liability insurance saw their rates stabilize in 2016, nearly one in three experienced modest decreases in rates. A new survey by insurance broker Ames & Gough finds that market competition and favorable claim results are combining to hold premium rates down. In fact, most insurers reported they are looking to keep rates flat this year to retain or expand their business.

According to the Ames & Gough survey of 19 leading insurance companies (which, on a combined basis, represent more than 80 percent of the overall marketplace providing professional liability insurance to architects and engineers in the U.S.), premium rates remained flat in 2016 for 53 percent of the insurers, while 32 percent saw rates decrease and 16 percent reported higher rates. By contrast, in 2015, 38 percent had rate increases, while 57 percent had flat rates and 8 percent reported lower rates.

Last year, no rate increases achieved by any insurer in the survey exceeded 5 percent; and decreases ranged from below 2 percent to between 6 percent and 10 percent. Interestingly, at the start of 2016, no insurers surveyed expected to lower rates. Additionally, the actual increases achieved in 2016 by insurers planning to raise rates at the start of the year fell slightly short of expectations.

“As stable to improving claims experience continues to make this line of coverage profitable for insurers, more insurance companies are entering the marketplace or looking to expand their business,” said Dan Knise, president and CEO, Ames & Gough. “Besides holding the line on rates for design firms with good loss experience and favorable risk profiles, some insurers are now expanding what they’re willing to cover.”

Specifically, some insurers are adding endorsements for cyber risk to their professional liability insurance policies for design firms and considering new endorsements for liability risks related to drone usage.

Nonetheless, in evaluating the new cyber insurance available under their professional liability policies, Mr. Knise explained that stand-alone cyber insurance policies typically offer more robust protection against first-party exposures, such as notification and credit monitoring requirements, business income losses, ransomware, and network and data damage.

The survey also found that despite intense competition, insurers are maintaining underwriting discipline and placing greater emphasis on claims experience. This year, 95 percent of the insurers surveyed identified recent claims experience as a top factor for raising a specific firm's professional liability insurance rates, a significant jump from the 79 percent citing that factor last year. The other three top underwriting factors this year are: type of projects (84 percent); historic claims experience, dating back more than two years (63 percent), and type of work/service (47 percent).

Infrastructure opportunities raise underwriting concerns. When asked if plans to develop and repair the U.S. infrastructure raised any concerns regarding architects and engineers professional liability exposures, 63 percent of the insurers surveyed cited the failure of design firms to adhere to effective contractual best practices when negotiating new projects, 53 percent pointed to firms accepting contractual responsibility outside their expertise, and 32 percent were wary of the inability of design firms to effectively assess and manage subconsultants.

“Even though there's widespread enthusiasm over opportunities arising from the anticipated investment in infrastructure, design firms still need to maintain sound risk management in evaluating new projects, beginning with reviewing their contracts,” said Joan DeLorey, senior vice president and partner, Ames & Gough. “While the insurance market is competitive, the buyers benefitting the most will be those that maintain high standards for managing risk, including evaluating the risk-reward potential of new projects and knowing how a change in project mix might affect their risk profile and insurance program.”

Claims experience steady to improving. For the second consecutive year, 79 percent of the insurers surveyed reported no change in their overall claim activity compared to prior years; in 2016, however, a greater percentage of insurers (21 percent) than in the past saw their claims experience improve and none had worse experience.

Meanwhile, insurers have been carefully monitoring emerging issues. Among the most prominent issues they identified were: judicial rulings that are eroding protections for design firms under state statutes, such as economic loss doctrine (79 percent); evolving project delivery methods (e.g., design-build and private-public partnerships), cited by 68 percent; innovation, such as the use of BIM and technology and new construction materials/methods, and international exposures (each at 32 percent).

To obtain a complimentary copy of the Ames & Gough Survey, *PLI Market 2017: Insurers Strive for Equilibrium in Dynamic Environment*, email info@amesgough.com.

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About Ames & Gough

With more than 1,100 architects, engineering firms, and other construction professionals of all sizes as clients, Ames & Gough is the leading insurance brokerage and risk consulting firm serving the needs of these professionals. Ames & Gough also has established itself as a committed, superior resource for law firms and associations and nonprofit organizations in need of professional liability, management liability, and property/casualty insurance and risk management assistance. Established in 1992, the firm has offices in Boston, MA; Philadelphia, PA, and Washington, DC. Clients throughout the U.S. are served by a team of more than 40 professionals and staff located in the three offices. Visit the Ames & Gough website at <http://www.amesgough.com/>.