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## News Release

### ARCHITECTS & ENGINEERS PROFESSIONAL LIABILITY INSURERS SEEK TO MAINTAIN PREMIUM RATES DESPITE ROBUST COMPETITION

**Ames & Gough Survey Finds Insurers Balancing  
Drive for Growth with Disciplined Underwriting**

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**WASHINGTON, DC**, March 9, 2016 – After three straight years of moderate increases in their premium rates, most insurance companies providing architects and engineers professional liability insurance saw their rates level off in 2015. A new survey by insurance broker Ames & Gough finds an even larger number of these insurers plan to keep rates stable this year in the face of ongoing competition.

According to the Ames & Gough survey of 14 leading insurance companies (which, on a combined basis, represent more than 75 percent of the overall marketplace providing professional liability insurance to architects and engineers in the U.S.), premium rates remained flat in 2015 for 57 percent of the insurers, while 36 percent saw rates increase and one insurer had lower rates.

Yet, among the insurers that had rate increases in 2015, the magnitude of those higher rates didn't meet their expectations when last year began. For example, 20 percent of those achieving higher rates had actual increases of 3 - 5 percent, compared with 62 percent of the insurers surveyed at the start of 2015 that expected such increases.

Meanwhile, 60 percent finished 2015 with rate increases of up to 2 percent (versus 25 percent expecting such percentage increases at the start of the year). Only one insurer in the survey achieved increases of 6 - 10 percent, the same number anticipating this rate hike at the start of 2015.

For 2016, expectations of higher premium rates generally have been modulated by competition. Among insurers in the survey, 64 percent plan to keep rates flat in 2016; the remaining 36 percent plan modest rate increases of 5 percent or less.

“The good news for architectural and engineering firms is that the marketplace for professional liability insurance has seen competition both from existing insurers seeking to expand their business and insurance companies new to this coverage line that want to

establish a foothold or gain market share,” said Dan Knise, president and CEO, Ames & Gough. “In the past, competition has been keen among insurers vying for the business of smaller design firms, which many underwriters see as more desirable risks. Yet, lately competition has spread to all segments of the market.”

Despite the competitive environment, insurers are maintaining underwriting discipline with any changes in rates, terms and conditions being driven by a number of key factors. Among those most frequently identified by the insurers surveyed were: type of projects, cited by 86 percent of the insurers, followed by recent claims experience (79 percent), historic claims experience (64 percent), and type of work/service (57 percent).

“While the ranking of these underwriting factors may change slightly from one year to the next, they have consistently been the top issues cited by insurers in each of the past several years,” said Mr. Knise. “The takeaway is that design firms with a favorable loss history, sound risk management, and a project mix and architectural/engineering services not considered higher risk often are best positioned to benefit from the current market conditions.”

Along these lines, among the handful of insurers seeking to raise their premium rates this year, 60 percent plan to target the increases to a specific discipline, such as structural engineering and geotechnical engineering. The same percentage plans to target specific types of projects, including residential construction and schools, which have been cited by insurers as areas seeing increased claim activity.

Nonetheless, claim experience, as measured by claim frequency has been stable. The majority (79 percent) of the insurers surveyed reported no change in their overall claims activity in 2015 compared to prior years; 14 percent saw their claim experience improve and 7 percent had worse experience.

“One factor that may be drawing more insurers to offer design firm professional liability insurance is that claims experience in recent years has been relatively steady,” said Mike Herlihy, executive vice president and partner, Ames & Gough. “Predictable loss experience is a key element for an insurance line to be profitable from an underwriting perspective.”

Indeed, with respect to claim patterns, this year’s findings were identical to those of last year’s survey: only 7 percent saw an increase in frequency of claims, while 43 percent of the insurers surveyed cited an increase in claim severity and the same percent cited an increase in defense costs impacting overall claim payments. When asked about their largest single claim payment in 2015, 57 percent of the insurers paid a claim of \$1 million or more, including one whose largest claim was between \$5 million - \$9.9 million and one that paid between \$10 million and \$19 million.

“There’s no question that design firms need to be vigilant about their potential exposures and make sure their insurance coverage is adequate,” said Mr. Herlihy. “Today, many smaller design firms are considering purchasing more than \$1 million of insurance limits either due to client requirements or because they understand their need for a higher level of protection.”

Meanwhile, insurers have been carefully monitoring emerging issues. Among the top three most prominent emerging issues from an underwriting perspective, 79 percent of the insurers cited evolving project delivery methods, such as the increase in design-build and public-private partnerships; 71 percent cited innovation, including use of BIM and technology and new construction materials/methods, and 57 percent of the insurers indicated international exposures.

To obtain a complimentary copy of the Ames & Gough Survey, *PLI Market 2016: Insurers' Drive for Stability Facing Headwind of Competition*, email [info@amesgough.com](mailto: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 nearly 40 professionals and staff located in the three offices. Visit the Ames & Gough Website at <http://www.amesgough.com/>.