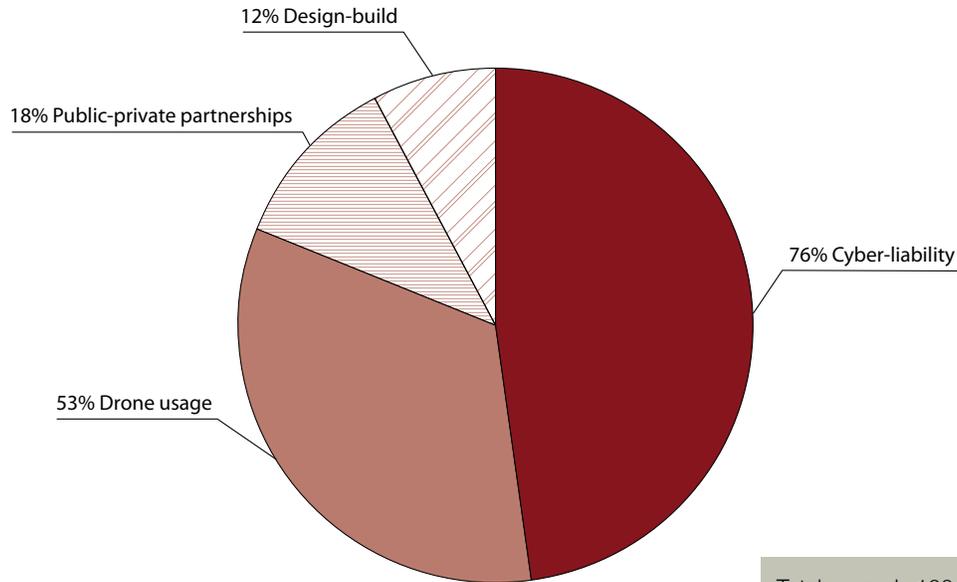


Percentage of Insurers Planning New or Expanded Coverage (by exposure)



Total exceeds 100 percent because survey respondents gave multiple answers.

A buyer's market

An experienced insurance advisor can help design firms find the coverage and program structure required to address their evolving needs.



Joan DeLorey

GUEST
SPEAKER

A new survey by Ames & Gough of 17 leading insurance companies providing A/E professional liability insurance has some good news for design firms with respect to their insurance, as well as insights that might aid their related risk management practices.

Conducted earlier this year, the survey showed that even though a few insurance companies consolidated or withdrew from the architects and engineers professional liability insurance market, there's still intense competition benefiting design firms purchasing this insurance.

Here are six key takeaways from the survey that might inform how design firms approach their risk management and professional liability insurance.

1) Good news: It's still a buyer's market for professional liability insurance. Even with the modest uptick in rates anticipated from some insurers, a plus for design firms is that the A/E professional liability insurance market continues to have a wide selection of insurance companies offering this coverage. For 2018, this will again enable firms with favorable loss experience and less risky disciplines to renew coverage with flat or only modestly increased

premium rates. In some cases, firms with increased revenues may be able to obtain some rate reduction to partially offset premium increases associated with growth.

2) Evaluate opportunities for expanded coverage.

Of the insurers surveyed, 76 percent are exploring new or expanded coverage for cyber-liability; 53 percent, for drone usage; 18 percent, for certain risks associated with public-private partnerships; and 12 percent for design-build exposures. Check your current policy to see what additional coverages it provides and see what's new at renewal. With respect to cyber-risk, assess your insurance needs carefully and determine whether any coverage offered under your professional liability policy is adequate or if you need to consider a separate, stand-alone policy that will offer more robust protection, such as security breach notification and credit monitoring expenses,

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business interruption losses, social engineering fraud, cyber extortion, and network and data damage.

3) Know how new business and M&A transactions will impact your risk profile. Even under the current competitive market conditions, underwriters generally have continued to prudently evaluate exposures. For instance, while several factors might affect how they underwrite a particular risk, insurers now place more emphasis on an A/E firm's project mix. This year, 88 percent of those surveyed identified type of project (e.g., condominiums, schools, transit, tunnel, water/wastewater), as one of the top factors for raising a design firm's PLI premium rates. So, firms expanding their business or engaging in mergers and acquisitions might consider how these initiatives could affect how underwriters perceive them and the impact on their insurance program and costs.

4) Be aware of risks insurers are monitoring as potential red flags. Insurers are carefully watching what they deem to be emerging risks. When asked about their top concerns, the most prominent were: evolving project delivery methods (e.g., design-build and public-private partnerships), cited by 82 percent; judicial rulings that may erode protections for design firms under state statutes (76 percent); innovation, such as new construction materials/methods (47 percent); and the use of BIM and technology (18 percent).

“Given the continued competitive marketplace for professional liability insurance, design firms have the opportunity to make sure their insurance protection and risk management are aligned with their risks.”

5) Take care in assessing liability limits. Even as stable claims experience, reported by 76 percent of the insurers surveyed, is helping insurers maintain profitability and keep rates down, design firms still face the potential for catastrophic losses. When asked to provide the amount of their largest single professional liability loss paid in 2017, the majority (59 percent) of insurers surveyed paid a claim of at least \$1 million or higher, including two insurers whose largest claim paid was between \$5 million and \$9.9 million and two between

\$10 million and \$19 million. Along with the potential for large claims, contractual requirements by clients are driving design firms to purchase higher insurance limits. Today, many face requirements for limits of \$5 million to \$10 million, up from former standards that called for limits of \$2 million to \$3 million.

“Whether a design firm is looking to maintain its current level of business or expand into new areas, an experienced insurance advisor can help them make sure they have the coverage and program structure required to address their evolving needs.”

6) Don't overlook the need to maintain sound risk management. Even as the market for professional liability insurance remains competitive, A/E firms need to remain focused in their risk control efforts to mitigate claim activity. One key is to negotiate contracts that fairly allocate risk and limit uninsured exposures, which might involve making sure clients know you won't be covered for certain risks. Firms also should engage staff in risk management training through webinars or seminars to help avoid claims or mitigate the risk.

Given the continued competitive marketplace for professional liability insurance, design firms have the opportunity to make sure their insurance protection and risk management are aligned with their risks. Whether a design firm is looking to maintain its current level of business or expand into new areas, an experienced insurance advisor can help them make sure they have the coverage and program structure required to address their evolving needs.

To obtain a complimentary copy of the Ames & Gough survey, *PLI Market 2018: Insurers Maintain Growth, Profitability Against Headwind of Competition*, email info@amesgough.com. ▀

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