

## 2023 Annual Update: Protecting Practices

Protecting and defending Ontario architects is our sole business: it is all we do. Serving all 1,584 architectural firms with offices in Ontario, Pro-Demnity works as your trusted ally through our Insurance Solutions and Risk Alliance offerings of Risk Education and Risk Services.

Our Insurance Solutions products are how we fight for you when you are facing an allegation of error, omission, or negligence. Beyond mandatory minimum liability insurance needs, Pro-Demnity offers additional annual liability limits and Spike-Up coverage to help meet your protection needs and the requirements of your clients. Over the coming years, we will be updating our coverage and pricing model to ensure we fairly, appropriately charge for the risk represented by different practices, while seeking flexibility to assist you in managing your coverage.

Our Risk Alliance offerings of Risk Education and Risk Services are how we protect practices by using the learning and understanding gained from our insurance solutions and share them with your practice to improve your present and future management of risk. From our COVID-19 updates over the past few years to our upcoming Integrated Project Delivery discussion at the 2023 OAA Conference, Pro-Demnity is committed to helping practices manage real-time risk in wise, efficient, and effective ways.

At a practical level, protecting practices also means ensuring we keep the organization strong, effective, and efficient in serving you. Remaining protective of our sustainable insurance operating model, Pro-Demnity's financial performance was solid in 2022. The organization delivered a year-end Minimum Capital Test Ratio of 248% (2021: 238%), and a Combined Operating Ratio of 86% (2021: 102%). These, along with other Key Performance Indicators throughout the Annual Update, suggest two things. The first is that efforts to strengthen operations are having an impact in the

right direction, and the second, that there is more to be done to improve services and bolster fiscal capacity to comfortably respond to potential losses in future years, particularly as we all contend with significantly fluctuating construction inflation.

The Board of Directors and Management are collectively responsible for steering the organization in its implementation of strategic priorities. Through Client Centricity, Strengthened Operations, Financial Strength & Growth, and our People & Culture, we are committed to increasing our value to you.

We are sincerely thankful to you, our clients, for your confidence and trust in Pro-Demnity. Several stakeholders contribute to our success – our regulator (FSRA), our shareholder (OAA), our reinsurers (various syndicates at Lloyd's), our auditors, actuaries and so forth – and we are fortunate for their support. We are, of course, nothing without the efforts of our employees: to all our employees, we appreciate your dedication and the care with which you are protecting practices.

**Joanne McCallum, Chair, Board of Directors**

**Bruce H. Palmer, President and CEO**

*For the 2022 Financial Statements, please visit the [OAA website](#).*

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**Rate increase of 5% and inflation adjustment of 4% in 2023.**

The rate increase for the 2023 renewal year is 5%\*, with an additional up to 4% inflation adjustment in anticipation of the future costs of raw materials required for repair, remediation or reconstruction when claims occur. Assuming no change in average fees, most firms will experience an up to 9% premium increase upon renewal inclusive of both the rate increase and inflation adjustment. We understand that rate

increases affect your business costs and compound the other, many rising cost inputs. Pro-Demnity is not immune from either general economic and social factors, or from the very specific factors facing architectural errors and omissions claims. We are committed to doing our part to help slow the growth in Pro-Demnity's costs.

\*Premium = rate x 3-year revenue average. For example, if 3-year average revenue increases by 5% and the rate increases by 5%, the premium increase will be 10.25%, all else being equal.