

## **2024 Rate Increase Set at 3 %**

Your professional liability insurance premium is primarily affected by two main figures: (1) the architectural fees reported to Pro-Demnity, and (2) the rate we apply to those fees. Your premium is, at its most simple, the average of the fees you have reported to us over the past three years multiplied by our rate. The same base rate is applied to all practices and policyholders. This base premium is then adjusted to reflect the mix of work you have reported to us, the “per claim” limit you are purchasing, your deductible, jurisdictions outside of Canada, etc. to get your final premium payable.

Annually, the base rate is re-calibrated. Working with our finance and actuarial teams as well as our reinsurers, we work to keep our increases predictable and as affordable as possible. Although these rate changes will not affect you until your next policy renewal, we endeavour to communicate rate increases as early as possible to enable you to better anticipate the impact to your business and adjust accordingly.

## **RATE INCREASE IS 3% IN 2024-2025**

For renewals on or after April 1, 2024 through to March 31, 2025, the base rate increase will be 3%. This rate increase is lower than in recent years and reflects the positive impacts of applying stringent cost and expense controls to the business as well as prudently and deliberately building up a stronger capital base year over year to protect against future claims occurrences (expected and unanticipated).

## **RATE AND PREMIUM TOGETHER**

Remember your premium is calculated by multiplying the three-year average of the fees you have reported by our rate ... meaning that if your three-year average fees have increased, your premium will go up by more than 3%.

In [calculating your total premium](#), we calculate premium in bands: the premium for the bottom layer of coverage is calculated using our base rates, the next layer pays a percentage of the base rate, the next layer a smaller percentage of the base rate, and so on. This reflects the ongoing reality that most claims still settle within lower limits of insurance, which allows us to reduce the cost of the higher bands of coverage. Among the consequences of this approach is the outcome that purchasing a \$5 million limit is not five times the price of a \$1 million limit, and \$1 million is not four times the premium of a \$250,000 limit.

This “banded” approach to premium calculation also allows us to adjust how our rate applies across various limits. Since our rate increase mostly reflects the growth in claims costs, and since those costs remain concentrated in lower claims limits, we do not plan to apply our 3% rate increase to higher coverage limits. This means that those practices that purchase higher limits will see a rate increase less than 3% on their overall premium.

## PLANNING FOR THE FUTURE

In alignment with our commitment to supporting your business success, **we continue to strongly encourage policyholders - as a general business practice - to budget and plan for at least a 5% rate increase every year.** We have been working diligently to ensure stable, steady rates for architectural practices so that unexpected annual fluctuations are minimized. In our [2023 Rate Communication](#) to you - worth repeating this year - Pro-Demnity has consistently shared that the costs it faces continue to climb. Several trends over the last 10-12 years have increased architects' exposure over longer periods of time, and we anticipate these trends to persist, and we foresee the ongoing need for rate increases in the future.

We hope that clearly communicating our expectations for the future will enable you to budget, plan and forecast with greater confidence and reliability, minimal surprises, and provides you with a cushion when a lower rate increase is applied, as is the case this year. We are committed to controlling all the costs we can, but we do not want to mislead you about our future expectations.

## NO INFLATION ADJUSTMENT

In the 2023-2024 rating period, we introduced a 4% inflation adjustment to deal with the impact of unusually high inflation. This inflation adjustment provided some benefit and relief to the overall program of insurance which had been under some pressure in the 2021-2022 period. Although we continue to monitor the impact of inflation closely as it affects our costs and claims, inflation is built into our planning and budgeting process.

For 2024, there is **no inflation adjustment** being applied in addition to the rate increase this year.

## WHY PROFESSIONAL LIABILITY INSURANCE MATTERS

As a reminder, your professional liability program serves two purposes:

- To protect you, our policyholder. As the architects' professional, trusted ally, Pro-Demnity *guarantees* that we will protect and defend architects in accordance with their respective insurance policies. To do so, we need to ensure we maintain the fiscal strength and capacity to meet these requirements.
- As a wholly owned subsidiary of the OAA, we serve to re-assure the public that architectural firms have the financial resources, through their insurance policy, to fulfill their duty of care to clients and society when there are allegations of error, omission, or negligence.

By being fiscally responsible, diligent in our governance and helpful in our service to you, Pro-Demnity is upholding our promise to provide architectural practices with an alliance for protection.

## RISK EDUCATION RESOURCES

Speaking of protection, we offer extensive risk management resources to all architectural practices and their staff. Knowledge of the risks associated with practice and how to mitigate, manage, transfer, avoid or accept those risks, will heighten your business acumen. We actively share our knowledge and expertise with you and encourage you to prioritize your ongoing education of these risks. Even if your firm has never had a claim to date, our experience suggests that no firm - no matter their size, location, length of time in business, reputation, or expertise - is immune from being named in a claim.

The risks you face in your architectural practice may translate into actual claims. Before they do, avail yourself of the risk articles, bulletins and thought leadership news items on our website at any time.

In the next few weeks, you will also have the ability to “check your ARMr”. ARMr is the Architectural Risk Management Assessment Report which will help you to zero-in on identifying potential risks, and to strengthen your overall risk management. The report provides guidance on how to close risk gaps.

Finally, should you need to reach out to any one of our architectural risk experts to discuss a difficult or challenging situation regarding contracts, clients, constructors etc., book a meeting to [Speak with an Expert](#).

## BEING YOUR ALLY

We take being your professional, trusted ally very seriously. No one understands the risks that architects face better than Pro-Demnity.

Pro-Demnity operates on behalf of architects, and only architects. Our unwavering commitment to Ontario's 1,580+ architectural practices is to ensure that they, and your firm, will always be

protected and defended in the event of allegations of error, omission, or negligence.

Should you have any questions about insurance rates or premiums, please contact our [Underwriting team](#).