

## Architects' Professional Liability Insurance

PRODEMUNITY

INSURANCE SOLUTIONS



### WHAT IS IT?

Professional Liability insurance protects your architectural firm against possible claims made against you for projects undertaken, that can even creep up from past years. It's not just insurance, it is a "must-have" ally.

It is a requirement of the *Architects' Act* for all architects practicing in Ontario with a Certificate of Practice. It is also known as E&O (Errors and Omissions), Indemnity or Malpractice insurance.

Regardless of name, the insurance provides protection to you and your practice in the event an error, omission or negligence arising from your professional services, results in a financial loss to your client or others. Professional Liability Insurance is renewed annually for the entire duration that your firm holds a Certificate of Practice.

Professional liability insurance is **Claims made**, meaning that the coverage applies to the year the claim is made and not the year the alleged error, omission or negligent act occurred.

### WHY DOES MY PRACTICE NEED COVERAGE?

***For starters, it's essential.***

A Professional Liability Insurance policy provides you with a defence to such allegations, even if the claims are groundless. Without this insurance, an architect could be bankrupted by the legal costs to defend itself. Annual professional liability insurance coverage is a valuable investment for your firm and becomes part of your annual cost of doing business.

An architectural firm is always affiliated with others such as clients, engineers, building specialists, general contractors or sub-contractors in any given project and if deficiencies are uncovered, one or more parties can easily file a claim against all the other parties. Business is business but then there's claims business. Additionally, the monetary amounts for claims can be substantial and could jeopardize the viability of your firm if you were not covered. Can you imagine all that work, lost to a claim?

If you do receive a claim, rest-assured that we will always be on your side and as your professional liability insurer, will protect and defend your interests.

As your trusted ally and an authority on risk,

Pro-Demnity has almost 40 years of experience and expertise in your corner to contest the claim.

Pro-Demnity is proud to say that no firm has ever gone out of business as result of a claim covered by their professional liability insurance.

## **DO EMPLOYED ARCHITECTS REQUIRE PROFESSIONAL LIABILITY INSURANCE?**

Licensed Architects employed by an architectural practice that holds a Certificate of Practice do not need to purchase mandatory Professional Liability Insurance for themselves. The insurance policy issues to the holder of a Certificate of Practice includes coverage for current and past

employees of the practice respecting their duties for their employer. Employees need not be qualified as an architect to be covered for their services to the holder of the Certificate of Practice.

However, the employer's insurance will not cover "moonlighting" by an employee or activities by the employed architect outside its duties for its employer, or services provided by the individual under a BCIN designation prior to attaining admission to the OAA.

Architects who are employed by companies that do not hold a Certificate of Practice issued by the OAA will not be covered by the mandatory insurance program provided by Pro-Demnity Insurance Company. These individuals should review their exposure to claims and available insurance coverage with their employers.

## WHERE DO I OBTAIN PROFESSIONAL LIABILITY INSURANCE?

Ontario architectural practices must purchase and maintain mandatory (minimum) limits of Professional Liability Insurance from Pro-Demnity Insurance Company, the wholly owned subsidiary of the Ontario Association of Architects. This arrangement assures that all architects authorized to practice by the [OAA](#) will have access to the required insurance on terms that apply equally to every Ontario architect.

## WHAT DOES IT COVER?

Essentially, your professional liability insurance covers the three key facets to any claim - Damages, defence and supplementary payments. While the vast majority of claims are insurable, like any insurance policy, there are certain limitations or exclusions that should be reviewed so that you know what's covered and protected, and what's not.

- **Damages:** These are the result of a claim that may be handed down by a court, an arbitrator or an amount agreed to through negotiation. Your policy gives you coverage, so these damages are paid, minus the deductible up to the limit of your coverage. Your

coverage is for damages that result from an error, omission or negligent act that you may have committed, whether it is proven or not. We are your ally even if mistakes happen.

- **Defence:** The cost and complexity of mounting a defence can be considerable, but we are by your side the whole time. Because of your coverage, Pro-Demnity and designated legal counsel will defend you against any claim in any civil suit or arbitration even if the claim is without merit, fraudulent or false.
- **Supplementary Payments:** When the damages exceed the amount of your coverage, Pro-Demnity still has your back and will still pay a portion of the damages even though it has exceeded the claim limit. While it doesn't cover 100% of the cost, it will significantly mitigate your liability even in a 'worst case' outcome to a settlement.

Pro-Demnity's Professional Liability Policy is best-in-class and customized specifically for architectural practices in Ontario. Please refer to [Architects Insuring Architects: An Alliance for Protection](#) for more detailed information about the mandatory Professional Liability Insurance program including some of the key features that may be important to both architects and clients.



## HOW DOES IT WORK?

The basic coverage you have with Pro-Demnity and the deductible are based on your firm's gross revenues, so depending on the size of your firm you will fall into one of three tiers. The premium you are charged is based on the claim limits you qualify for and our valuation (supported by actuarial data and historical precedence) of how much it could cost to defend the claim and what would potentially have to be paid out:

<b>Total Gross Fees</b>	<b>Minimum Claim Limit</b>	<b>Project Limit</b>	<b>Aggregate Limit</b>
\$0 - \$499,999	\$250,000	\$500,000	\$1,000,000
\$500,000 - \$999,999	\$500,000	\$1,000,000	\$2,000,000

\$1,000,000 and above	\$1,000,000	\$2,000,000	\$4,000,000
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- **Total Gross Fees:** Revenue declared in your financial statements + fees for services by contractors + reimbursable expenses
- **Claim Limit:** Refers to the maximum amount of coverage for any one claim
- **Project Limit:** Refers to the maximum amount of coverage for any one project assuming there were multiple claims
- **Aggregate Limit:** The total coverage that could be paid per year if you had multiple claims for different projects

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***Applicable Policies:***

Please note that effective April 1, 2024 upon renewal, Policy No. 1 and Policy No. 4 are replaced by one policy: the [Professional Liability Insurance policy](#).

(1) Claim Limit \$250,000

- [Pro-Demnity Policy No. 1](#) (issued up to and including March 31, 2024)
- [Endorsement No. 1 to Pro-Demnity Policy No. 1](#)

(2) Claim Limits \$500,000 and above

- [Pro-Demnity Policy No. 4](#) (issued up to and including March 31, 2024)
  - [Endorsement No. 1 to Pro-Demnity Policy No. 4](#)
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## WHEN SHOULD YOU BUY PROFESSIONAL LIABILITY INSURANCE?

Once your firm has applied for a Certificate of Practice through the OAA, please contact us to let us know.

The *Architects Act* and its Regulation require you to purchase Professional Liability Insurance as a prerequisite for providing services to the public under a Certificate of Practice issued by the [Ontario Association of Architects \(OAA\)](#). This ensures that you, your practice and your employees will have protection from insurance before the risks are assumed.

The handy FAQs below for new Certificate of Practice holders should answer most of your questions.



## FAQS

### **Professional Liability Insurance for new Certificate of Practice holders**

Do I need to get my insurance first through Pro-Demnity before I can get my Certificate of Practice?

No. You will be required to submit your application and application fee for annual practice at the same time as you are applying for your Certificate of Practice. Once received, we will hold onto your submission until further notice from the Registrar regarding the approval of your Certificate of Practice.

When does my insurance coverage start?

Coverage commences the date your Certificate of Practice is approved by the OAA Registrar.



### Who do I submit the application to?

Please email a copy of your completed application and Canada's Anti-Spam Legislation (CASL) Consent Form to: [mail@prodemnity.com](mailto:mail@prodemnity.com)

### How can I pay for the application?

The one-time application fee is \$270.00 including PST. You may make an online payment through your bank or credit union. Please refer to the instructions outlined in your New Business Application package.

### What if I don't know how the first year is going to go? How do I project my anticipated fees?

Please be advised that the premium for the first year of coverage is based on anticipated total gross fees declared for your new practice for the next 12 months. We do recommend that new holders take advantage of \$250,000 claim limit by declaring anticipated fees of \$50,000 or less. If you are anticipating total gross fees of \$50,000 or less for your first year, you can take advantage of our minimum premium.

### On the application, it asks for "Name of Holder" and under Question 1, "Applicant: Name of Holder of Certificate of Practice". Do I put my name?

Please indicate your (future) company name or the name you anticipate to show as the name of your Certificate of Practice.

### I just sent in my application for professional liability insurance. When do I pay my premium?

Once your Certificate of Practice is approved by the OAA Registrar, Pro-Demnity will be directly notified by the OAA Registrar. Please allow 10 business days for processing your professional liability insurance documents. Once your application has been processed your documents which

include an invoice will be provided to you. It is at this time you will have to worry about payment for premium.

## WHAT ABOUT THE ANNUAL RENEWAL?

- 1. We trigger the reminder to renew.**

Our auto-renewal is self-triggered, meaning 60 days before insurance expires, Pro-Demnity will reach out to the listed contact to ensure renewal forms are complete. We are on it, so you can focus on design.

- 2. New year, new risks.**

Time to revisit your firm's risk practice management strategies, and consider increased limits (which helps architects pursue high value work) and/or spike up insurance as part of your risk management tool kit. We have risk courses that help you reap the rewards of being risk ready and protected.

- 3. You've grown, great! Now make sure you protect the new success.**

You are engaging in (i.e. commercial, residential, healthcare, more green projects) Let us know so you can keep growing while we do the protecting and defending.

- 4. The Annual Renewal form is just a click away. *Simply download here.***

**Renewal of Professional Liability Insurance**

Who should I send my completed renewal application to, and is there an alternative option other than mail?

We accept electronic copies of your renewal application. You do not need to mail a hard copy to our office. Your renewal application can be sent to us either via Email to [mail@prodemnity.com](mailto:mail@prodemnity.com), or via fax at 416-449-6412.

What must I do prior to the expiry date of my professional liability insurance coverage?

Prior to the expiry date of your professional liability insurance coverage, it is VERY IMPORTANT that you either:

a) submit the completed renewal Application to Pro-Demnity, or

b) advise the OAA Registrar in writing that you will no longer provide architectural services to the public and do not wish to renew your annual practice insurance. In this circumstance, please:

- surrender your certificate of practice and seal to the OAA Registrar;
- contact Pro-Demnity regarding your eligibility for the Retirement From Practice Coverage;
- if applicable, contact your insurance broker regarding your excess insurance arrangements;  
and
- if a partnership or corporation (other than a sole practitioner), review the dissolution or termination agreement to ensure that it addresses such aspects as continuing professional liability coverage arrangements, payment of deductibles, premiums, retention of project files and claims handling. Other issues should be discussed with the appropriate advisors.

It's important that you follow a) or b) above, otherwise, you will be in contravention of the requirements of the *Architects Act* and its Regulations, and the OAA Registrar will be required to administer the provisions applicable. Please note that insurance for the next twelve months from the expiration date will only be provided once Pro-Demnity is in receipt of your signed, dated and **fully completed application and any attached addendums or questionnaires**. Should circumstances cause a delay in the submission of the renewal Application, please advise us as soon as possible.

When should I be submitting my renewal application?

In accordance with the *Architects Act*, you are required to submit the renewal application to Pro-Demnity prior to the expiry date of your current policy.

I have submitted my completed renewal application to Pro-Demnity. When will I get my invoice?

Once your application has been processed, we will send you your documents which include an invoice. It is at this time you will have to worry about payment for premium.

I have received my renewal invoice, when is it due and how do I pay my premium?

The Fixed Premium is payable within fifteen (15) days of the date of your Invoice. Please refer to the **Payment Options** available to you.

The OAA has granted me a leave of absence. Do I still need to renew my policy and complete a renewal application?

Please note that if you are not surrendering your Certificate of Practice, you are required to submit the renewal application to Pro-Demnity prior to the expiry date of your current policy. Please note the annual premium will be charged. There is no provision for suspension of the insurance coverage due to a leave of absence and all holders of Certificates of Practice are required to

maintain the mandatory Professional Liability Insurance.

## WHERE CAN I GET MORE INFORMATION?

**Architects Insuring Architects: An Alliance for Protection** details the key features of the mandatory Professional Liability Insurance program that may be important to both architects and clients.

- **Policy Wordings, Technical Requirements Schedule, Endorsements and Extensions**

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### **Disclaimer:**

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own due diligence. Professional Liability Insurance provides valuable coverages and benefits however does not cover everything. Please refer to the Policy wordings for specific coverages, benefits, exclusions and limitations. This PDF should not be reproduced in whole or in part in any form or by any means without written permission of Pro-Demnity Insurance Company. Please contact [mail@prodemnity.com](mailto:mail@prodemnity.com).