

## STARTING YOUR OWN ARCHITECTURAL FIRM IN ONTARIO: WHY PROFESSIONAL LIABILITY INSURANCE IS ESSENTIAL

### LAUNCHING YOUR OWN ARCHITECTURAL FIRM IS A THRILLING VENTURE, BUT IT COMES WITH SERIOUS RESPONSIBILITIES. PROFESSIONAL LIABILITY INSURANCE IS ONE OF THEM.

If you're a licensed architect in Ontario contemplating the exciting leap into starting your own architectural practice, congratulations! This is a bold and rewarding step. But before you dive into branding, client acquisition, or project planning, there's one foundational element you must prioritize: **Professional Liability Insurance**.

### WHAT IS PROFESSIONAL LIABILITY INSURANCE (PLI) —AND WHY IS IT ESSENTIAL?

Professional Liability Insurance (also known as Errors & Omissions or Indemnity Insurance) protects your firm against claims of negligence, errors, or omissions in the usual and customary services you provide as an architect. In Ontario, professional liability insurance is a **legal requirement** under the *Architects Act* for any firm holding a Certificate of Practice.

This insurance ensures that if a client alleges your work caused financial harm—even if the claim is unfounded—your firm has the resources to defend itself. Without it, legal costs alone could threaten the viability of your business. Pro-Demnity, the insurer mandated by the Ontario Association of Architects (OAA), has almost 40 years of experience defending architectural firms and we proudly assert that **no firm has ever gone out of business due to a covered claim**<sup>[1]</sup>.

### BUDGETING FOR PREMIUMS: A PERMANENT BUSINESS COMMITMENT

Starting a firm involves many costs, but your PLI insurance premium should be viewed as a **non-negotiable investment**.

The application for insurance is a one-time cost of about \$300 CAD (including PST), and typically for a new firm starting out, premiums can be as low as \$800 CAD, and can be significantly higher when the new Certificate of Practice comes into being due to a merger or acquisition (reflecting the liabilities of one or both of the previous firms). For firms anticipating gross fees under \$50K in their first year, this coverage offers valuable protection with coverage starting at \$250,000 per claim, making it affordable for new practices while ensuring strong coverage<sup>[1]</sup>.

Every year, you'll complete a renewal application for your firm in order to re-new your practice's PLI. You'll outline your firm's gross fees for the usual and customary services provided by your architectural practice. This will help us assess risks and potential liability from the previous year and set the premium for the coming year.

Premiums for architectural firms are calculated by multiplying the 3-year average gross fees by the Rating Factor (determined annually by the company), which usually does not exceed 5%. While the Rating Factor may vary from 1% to 5% yearly, the calculation method remains consistent across all firms. **Firms should make a habit of planning for a 5% annual rate increase in their budgets.** Factoring this into your forecasts helps estimate future premiums, and guarantees that professional liability insurance is accounted for.

Being able to commit to paying your premium annually is a sign of your firm's financial health and professional responsibility. It's not just about compliance—it's about safeguarding your reputation, your clients, and your future.

## GROWTH, MANDATORY COVERAGE LAYERS AND PREMIUMS

Your firm's 3 year average of gross fees typically dictate the required mandatory coverage limits. As your firm grows out of one layer of coverage and into the next mandatory layer of coverage, you can expect a premium increase to be automatically triggered. Mandatory coverage layers are

prescribed by the *Architect's Act* (and not Pro-Demnity) and have been established as sufficient to protect the public first and foremost.

Here's a rough guideline of when you can expect to qualify for the next layer of mandatory coverage:

<b>Mandatory Coverage Layers</b>	<b>Total Gross Fees</b>	<b>Minimum Claim Limit</b>	<b>Project Limit</b>	<b>Aggregate Limit</b>
<b><u>Layer 1</u></b> (New Firms and those winding down)	\$0 - \$499K	\$250,000	\$500,000	\$1,000,000
<b><u>Layer 2</u></b> (Firms in growth mode)	\$500K - \$999K	\$500,000	\$1,000,000	\$2,000,000
<b><u>Layer 3</u></b> (Firms with sustainable business development, growth, mergers, acquisitions)	\$1 M and above	\$1,000,000	\$2,000,000	\$4,000,000

## **ADDITIONAL PERKS OF PLI WITH PRO-DEMNITY**

Included with your premium is access to valuable risk education resources and services, such as timely risk-related articles on our website, webinars, presentations, and opportunities to speak directly with one of our in-house architects whenever you have risk management questions.

Pro-Demnity's professional liability insurance is also very unique to architects, and provides long-

term protections, even after you've surrendered your Certificate of Practice and are no longer actively paying for your premiums. Our [Retirement from Practice program](#) extends for as long as the former Principal / Owner lives after surrendering their Certificate of Practice to the OAA, and then six years beyond death providing protection to the Estate and beneficiaries. This key benefit is only available with Pro-Demnity.

## OTHER INSURANCE

Your firm will also benefit from insurance beyond professional liability. Consider Commercial General Liability, Business Interruption Insurance, Cyber insurance, and Director and Officers (D&O) Liability Insurance to name a few. Be sure to budget accordingly for these as well. Speak with your broker for what's best for your firm's needs as you start out. For professional liability insurance, purchase directly from Pro-Demnity.

## CONSIDERATIONS WHEN GOING FROM A DESIGNER TO AN ARCHITECT

Newly licensed architects who previously operated as designers may face coverage challenges for ongoing projects.

- Pro-Demnity coverage begins only *after* the Certificate of Practice is issued.
- Prior work under "designer" status must be covered by separate insurance (see above)
- Projects spanning both roles require careful coordination of coverage.

Architects transitioning from designer roles must ensure continuity of coverage and clarify which

insurer is responsible for each phase.

## **A QUICK GUIDE TO APPLYING FOR PLI AS A NEW CERTIFICATE OF PRACTICE HOLDER:**

1. Review the OAA's Certificate of Practice web page: [Architect Certificate of Practice](#)
2. Let Pro-Demnity know that you are planning to start up a New Practice at [Mail@prodemnity.com](mailto:Mail@prodemnity.com). Our underwriting team will e-mail you a New Practice Package with instructions to complete the form.
3. On the same day that you submit your Certificate of Practice application to the OAA, submit Pro-Demnity's New Practice insurance application, fee and CASL form to Pro-Demnity.

Pro-Demnity will hold your application until the OAA Registrar approves your Certificate. It will then be processed, and coverage begins on the date your Certificate of Practice is approved. At that point, you'll receive an invoice from Pro-Demnity outlining your premium and payment options for your prompt attention.

## **GET EDUCATED: OAA'S "FUNDAMENTALS OF RUNNING AN ARCHITECTURAL PRACTICE" COURSE**

To help new firm owners navigate the business side of architecture, the OAA offers a comprehensive online course: [Fundamentals of Running an Architectural Practice](#)<sup>[2]</sup>.

This 13-module course, administered by the University of Toronto's School of Continuing Studies, covers everything from regulatory frameworks and business structures to marketing, contracts,

and—yes—professional liability insurance delivered by one of Pro-Demnity’s own employees (a retired OAA with 20+ years of experience with Pro-Demnity and 30+ years as a former Certificate of Practice holder). It’s designed to equip you with the tools and strategies needed to build a sustainable and successful practice.

## **FINAL THOUGHTS ON PLI**

Launching your own architectural firm is a thrilling venture, but it comes with serious responsibilities. Professional Liability Insurance from Pro-Demnity is your safety net, your legal shield, and your ally in risk management. Prioritize it from day one and pair it with solid business education like the OAA’s course, as well as ongoing risk education from Pro-Demnity, to set your firm up for long-term success.

At the core of your premium investment lies our dedication to offering you and your firm comprehensive legal defense and dependable claims support, ensuring you are equipped to address any allegations of errors, omissions, or negligence. We are committed to safeguarding your interests and championing your wise, effective and efficient management of architectural practice risk by serving as a steadfast ally in your protection.

## **References**

[1] [Architects’ Professional Liability Insurance – Pro-Demnity](#)

[2] [Fundamentals of Running an Architectural Practice](#)