



Your professional liability insurance premium: a review of the situation

For some time now, the insurance world has been announcing general premium increases that cannot be avoided. How is this situation affecting your professional liability insurance?

“It is true that the insurance market has tightened, especially due to global disasters,” explains Alexandre Robitaille, Client Executive and Manager - Programs and Associations at BFL CANADA, the OIQ’s official insurance broker. Insurers are in the red because they have to absorb more losses. That is why they are trying to raise premiums so that the risk becomes profitable, which hasn’t occurred in the last 15 years.»

WHAT IS THE SITUATION AMONG OIQ MEMBERS?

Since April 1, 2013, OIQ members who perform engineering acts have been covered by professional liability insurance in accordance with the Regulation respecting professional liability insurance for members of the Ordre des ingénieurs du Québec that was adopted by the OIQ.



"After two years of implementing the Regulation, the ratio of benefits and defence costs paid by the insurer to the premiums received was 115%," explains Lisa Giannone, Managing Partner for the Montreal office of BFL CANADA. This was considered very high, since an insurance plan becomes profitable when the ratio is between 55% and 60%."

"In early 2019, this ratio fell to 94%, which demonstrates a slow, but real improvement," adds Lisa Giannone.

HOW CAN THE RATIO BE REDUCED?

The improved ratio mainly resulted from the efforts made by the OIQ and its professional liability insurance committee, in collaboration with the insurance broker. All of those responsible for this insurance have been working together for several years to determine what is causing the abnormally high rate, find solutions and implement them.

For example, once the OIQ noticed that the number of claims was a lot higher than expected and that 40% of the claims were for work performed without a contract in the prescribed form, it designed and launched an online training activity for professional contracts.

In addition, to support engineers practicing in at-risk fields where there are a larger number of claims, the OIQ reviewed the professional inspection process and designed new tools such as competency profiles and the Reference Framework for the Professional Competencies of Engineers.

"We are really motivated in this collective effort, and the next three years will be important in our attempts to lower the claims ratio even more," notes Alexandre Robitaille.

WILL THE PREMIUMS INCREASE?

Given the global context and the higher number of claims linked to the professional liability insurance of engineers, we have every right to be concerned about future increases in insurance premiums.

"We have some advantages when we negotiate with insurers, such as the number of members to insure and the combination of premiums," answers Lisa Giannone.

"For instance, in 2019 and 2020, and despite a negative context for insureds, the premiums will not increase for most of the members whose annual claims ratio is low or non-existent."

The Managing Partner at BFL Canada adds that the same also goes for members whose risk level changes very little because, for example, their sales figure or their field of practice continue to be relatively stable.

However, to keep premiums from increasing significantly in subsequent years, the number of claims will need to be reduced by stepping up prevention efforts even more with members. As the ENG2020 PLAN continues to be implemented, we can hope that it will positively affect the claims ratio. ◀