

# SmartRisk Economics & A/E Professional Liability (PL) Insurance Carrier Survey Report

[www.smartrisk.biz](http://www.smartrisk.biz)

## Introduction

The situation in the financial markets has grown into a global economic crisis effecting many companies and market segments worldwide. Architects and engineering (A/E), construction professionals and insurance carriers are facing unique challenges in this turbulent economic environment. Insurance companies have obtained a great deal of attention from regulators following the near-failure of American International Group (AIG) in 2008 stemming from huge losses by a non-insurance U.K. subsidiary which guaranteed high-risk investments. AIG is now selling assets to repay a government bailout of about \$180 billion. In June 2009, Hartford Financial Services Group Inc. stated it has taken \$3.4 billion of federal bailout money, the maximum allowed to increase capital for large investment losses. Another insurance provider, Lincoln Financial Group said on June 15, 2009 it would accept up to \$950 million in TARP funds. Insurance industry regulators and Congressional hearings have been conducted discussing regulatory reform for insurance providers implementing rules on solvency requirements in an effort to prevent a similar crisis in the future.

With the slowing economy driving reduced revenues for insureds, insurance premiums have followed suit and are down 7% compared to last years property/casualty insurance rates reported by MarketScout. Industry surveys have shown that during a down economy, litigation increases with plaintiffs looking for additional avenues of revenue by filing claims. Combined with catastrophes, investment losses, a soft market and deteriorating underwriting results all contributed to a very challenging 2008. The poor results for many has extended into 2009 and may run into 2010 for many commercial property/casualty insurers.

Excluding the massive \$99.29 billion loss reported by American International Group (AIG) for the year, 11 other insurers surveyed by Business Insurance posted a 73.1% decline in net income and all reported either losses or double-digit decreases in net income. Industry experts stated results for 2009 would be worse than 2008 from an underwriting standpoint. Rates continue to decline, however at a slower rate for most lines of business.

## A/E Professional Liability (PL) Insurance Providers Responses Based on Economic Climate

Insurance providers are an important element of A/E firms business practices and overall risk management program efforts. Insurance carriers in this specialized segment have valuable insights identifying trends and risk factors for firms. Obtaining information directly from insurance provides helps A/E firms obtain vital information that will help them in making better decisions, weathering this difficult economic period. Based on the challenges and publicity surrounding the insurance industry, it is important to know what trends insurance carriers are seeing as well as practices they are using to mitigate their own risk ensuring performance and profitability. This survey focused on obtaining first-hand information from the specialized A/E PL insurance providers on trends and impact's observed driven by the economic downturn.

- How are economic conditions effecting insurance providers?
- How are insurance providers minimizing their risk?
- Trends for A/E firms: Are firms accepting more risk?
- Recommendations for A/E firms.
- Offerings available by carriers to assist A/E firms.

## Survey Methodology

An independent, third-party survey was conducted by SmartRisk LLC, a risk and performance management consultancy. The survey was conducted of insurance providers specialized in professional liability (PL) insurance for A/E and environmental consulting firms. Survey objective; obtain information directly from the specialized insurance carriers providing a platform identifying trends and impact's from their perspective driven by the economic downturn. This was an open survey. Twenty (20) specialized insurance providers offering PL insurance for the A/E industry were invited to participate. Seventeen (17) insurance providers participated providing valuable insights for the A/E community and other industry groups and professionals.

Specialized A/E Professional Liability (PL) Insurance Providers Participants:

1. ACE USA, [Chris Calnon](#)
2. Arrowhead Design Ins. Div. / Hudson Ins. Group, [Jack Doran](#)
3. AVRECO, [Linda Deiss](#)
4. Beazley Insurance Company, [Dana Hughes](#)
5. Benchmark Professional Insurance Services, Inc., [Kitty Dimit](#)
6. Catlin Design Professional, [Tom Bong](#)
7. Euclid Managers - Scottsdale Insurance Company, [Brian Van Cleave](#)
8. Insight Insurance Services, Inc., [Michelle A. Duffett](#)
9. Ironshore Insurance Services, [Christine DeFelice](#)
10. James River Insurance Company, [Ben Pully](#)
11. Liberty International Underwriters, Inc., [Robert Cunningham](#)
12. RA&MCO Insurance Services, [Jim Bechter](#)
13. State Farm Fire and Casualty; State Farm Specialty, [Lonette Pearson](#)
14. Terra Insurance Company (A Risk Retention Group), [Dave Coduto](#)
15. Travelers, [Bill Farran](#)
16. Victor O. Schinnerer/CAN, [Kate Enos Frownfelte](#)
17. Zurich, [Mike Davis](#)

## Key Survey Findings

The survey report identifies insurance and risk trends, offerings and services supporting the A/E market segment. The following are a few of the key findings of the survey. Detailed information and analysis can be found within the survey report.

- 82%: Providers indicating A/E firms are accepting more risk
- 36.3% Premium rates down 5-20%
- 73%: Firms not purchasing insurance, lowering limits, increasing deductibles
- 53%: Providers offering risk management services to all firms
- 35.3%: Economic climate has increased claims
- 45%: Rates for 2009 and 2010 indicated as even
- 75%: Providers offering BIM coverage in policy language
- 41.2%: Providers offering mid-term quotes

## SmartRisk Economics & A/E Professional Liability (PL) Insurance Carrier Survey Report

	ACE USA	Arrowhead Design Ins. Div. / Hudson Ins. Group	AVRECO	Beazley Insurance Company	Benchmark Professional Insurance Services, Inc.	Catlin Design Professional	Euclid Managers - Scottsdale Insurance Company	Insight Insurance Services, Inc.	Ironshore Insurance Services	James River Insurance Company	Liberty International Underwriters, Inc.	RA&MCO Insurance Services	State Farm Fire and Casualty through State Farm Specialty Products	Terra Insurance Company (A Risk Retention Group)	Travelers	Victor O. Schinnerer/CNA	Zurich
--	---------	--	--------	---------------------------	---	----------------------------	--	----------------------------------	------------------------------	-------------------------------	--	---------------------------	--	--	-----------	--------------------------	--------

### General Information

#### Question 1 - Contact Information:

<b>Contact Person:</b>	Christopher Calnon	Larry Moonan	Linda Deiss	Dana Hughes	Kitty Dimit	Tom Bongi	Brian Van Cleave, CPCU	Michelle A. Duffett	Christine DeFelice	Ben Pully	Robert Cunningham	Jim Bechter	Lonette Pearson	David L. Coduto	Bill Farran	Kate Enos Frownfelter	Michael A. Davis, RPLU
<b>Title/Role:</b>	Vice President - A&E Product Manager	Co-President, Head of Underwriting	Vice President	Underwriter	President	President	Vice President - Underwriting	Executive Vice President	AVP/developing A&E product	Division Manager	Vice President	Chief Operating Officer	Product Manager	President/CEO	Practice Leader	Senior Vice President, Manager Construction Program	Professional Liability Product Manager
<b>Phone:</b>	213.833.3164	800.887.7811	312-294-5475	484-320-8585	630-986-5151	(925) 927-2239	630-238-2702	800-447-4626	646-826-6641	804-289-2114	212-208-2814	925-685-1600	312-258-3323	800-872-0077	(443) 353-2253	301-951-6919	215-979-6639
<b>Email:</b>	christopher.calnon@acegroup.com	lmoonan@arrowheadgrp.com	ldeiss@avreco.com	dana.hughes@beazley.com	kdimit@benchmarkprofessional.com	tom.bongi@catlin.com	bvanceleave@euclidmanagers.com	mduffett@insightinsurance.com	cdefelice@ironshore.com	ben.pully@jamesriverins.com	Robert.Cunningham@Libertyiu.com	jbechter@ramco-ins.com	lonette_pearson@statefarmspecialty.com	dcoduto@terrarrg.com	wgfarran@travelers.com	Kate.E.Frownfelter@Schinnerer.com	michael.davis@zurichna.com
<b>Website:</b>	aceprofessionalrisk.com		avreco.com	beazley.com/a&e	benchmarkprofessional.com	catlin.com	euclidmanagers.com	insightinsurance.com	ironshore.com	jamesriverins.com	ae-Libertyiu.com	ramco-ins.com	statefarm.com	terrarrg.com		Schinnerer.com	zurichna.com

#### Question 2 - Current A.M Best Rating & Financial Category (subsidiary, not parent):

<b>A.B Best Rating and comments:</b>	A+	A	A	A	A	A	A+	A	A-	A-	A	A+	A+ Superior	A Excellent, implied rating of A++ Superior according to A.M. Best BCAR analysis	A+ (Superior)	A	A
<b>Financial Size Category:</b>	XV	XV	15	VIII	X	XV	XV	IX	XI	VIII	XV	XIV	XV	V	XIV	XV	XV

**Company Ratings:** There are several organizations that rate the financial strength of insurance carriers, based on an analysis of a company's claims experience, investment performance, management, and other factors. These organizations include A.M. Best, Standard & Poor, and Moody's. These ratings are one of the most widely used indicators of financial health in the insurance industry.

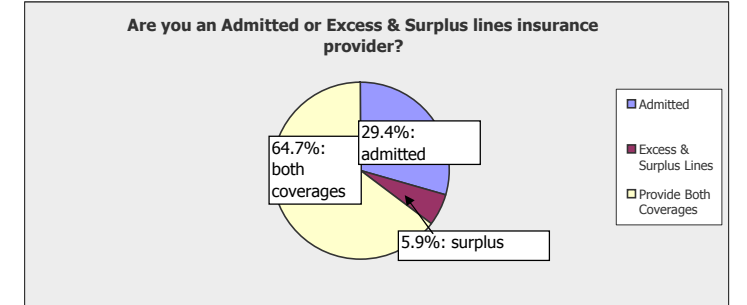
## SmartRisk Economics & A/E Professional Liability (PL) Insurance Carrier Survey Report

	ACE USA	Arrowhead Design Ins. Div. / Hudson Ins. Group	AVRECO	Beazley Insurance Company	Benchmark Professional Insurance Services, Inc.	Catlin Design Professional	Euclid Managers - Scottsdale Insurance Company	Insight Insurance Services, Inc.	Ironshore Insurance Services	James River Insurance Company	Liberty International Underwriters, Inc.	RA&MCO Insurance Services	State Farm Fire and Casualty through State Farm Specialty Products	Terra Insurance Company (A Risk Retention Group)	Travelers	Victor O. Schinnerer/CNA	Zurich
--	---------	--	--------	---------------------------	---	----------------------------	--	----------------------------------	------------------------------	-------------------------------	--	---------------------------	--	--	-----------	--------------------------	--------

### Question 3 - Are you an Admitted or Excess & Surplus lines insurance provider?

Responses:	Admitted	Admitted	Provide Both Coverages. Admitted in IL and KY only	Provide Both Coverages. Lloyds of London paper used for E&S placements	Admitted	Provide Both Coverages. We offer admitted policies in all but a handful of states.	Provide Both Coverages. E&S in LA and HI	Provide Both Coverages. Depending on type of risk and state	Provide Both Coverages. Admitted in some states	Excess & Surplus Lines	Provide Both Coverages. Admitted primary product for 47 States, Surplus Lines for 3 staes; Surplus Lines for Excess AE and Project Specific Policies	Provide Both Coverages	Admitted	Provide Both Coverages. As a risk retention group we are licensed in Vermont and authorized to write business in the remaining 49 states	Admitted	Provide Both Coverages. We are an Admitted provider for our standard Architects and Engineers Professional Liability Program and in our Contractor's Program we offer coverage on a non-admitted basis.	Provide Both Coverages. A&E form admitted in all states except Alaska & Wyoming

**Admitted and Nonadmitted Companies:** State insurance departments determine which insurance companies are allowed to do business in the state. A company that meets the insurance department's standards and is authorized to do business in a state is called an admitted or authorized insurer. Nonadmitted and/or surplus lines insurer can also do business in the state under specific circumstances. \* **64.7% offer both admitted and surplus lines coverages** \* **29.4% admitted** \* **5.9% excess and surplus lines**



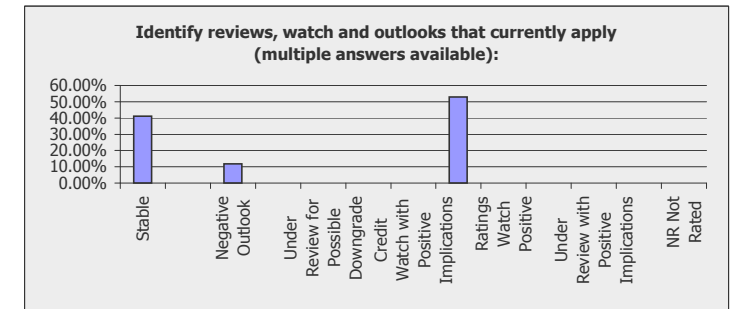
## SmartRisk Economics & A/E Professional Liability (PL) Insurance Carrier Survey Report

	ACE USA	Arrowhead Design Ins. Div. / Hudson Ins. Group	AVRECO	Beazley Insurance Company	Benchmark Professional Insurance Services, Inc.	Catlin Design Professional	Euclid Managers - Scottsdale Insurance Company	Insight Insurance Services, Inc.	Ironshore Insurance Services	James River Insurance Company	Liberty International Underwriters, Inc.	RA&MCO Insurance Services	State Farm Fire and Casualty through State Farm Specialty Products	Terra Insurance Company (A Risk Retention Group)	Travelers	Victor O. Schinnerer/CNA	Zurich
--	---------	--	--------	---------------------------	---	----------------------------	--	----------------------------------	------------------------------	-------------------------------	--	---------------------------	--	--	-----------	--------------------------	--------

**Question 4 - Identify reviews, watch and outlooks that currently apply (multiple answers available):**

<b>Responses:</b>	Positive Outlook. Stable as of March 09	Stable	Positive Outlook	Positive Outlook	Positive. Navigators is on Nat'l U/W's listing of top 100 P&C carrier listing	Positive Outlook	Positive Outlook, comments none	Positive Outlook	Positive Outlook	Stable	Stable	Positive Outlook. HCC - Rated A+ (superior) by A.M. Best and AA (Very Strong) by Standard & Poor's and Fitch Ratings. HCC remains one of the highest rated property and casualty insurance companies in America.	Stable	Stable. See BCAR comment in question 3	Stable	Stable	AM Best & Moody's Stable: Fitch & SP negative outlook
-------------------	---	--------	------------------	------------------	---	------------------	---------------------------------	------------------	------------------	--------	--------	--	--------	--	--------	--------	---

**Industry Ratings, Watch and Outlook:** Based on an analysis of a company's claims experience, investment performance, management, and other factors, insurance carriers stated rating organizations including A.M. Best, Standard & Poor, and Moody's, carriers indicated: \* **52% positive outlook** \* **41.2% stable** \* **11.8% a negative rating**



**Question 5 - 2008 Book of business**

<b>Number of firms</b>		Withheld at carrier request	Don't release this information	>5000	Confidential	Catlin Design Professional began writing business in the U.S. in October 2008.	Confidential		info not available	600	Proprietary	Thousands of firms.	Proprietary	Proprietary	8000	17500	
<b>Premium in millions</b>	40	Withheld at carrier request	Don't release this information	approx. 150M	Confidential	N/A	Confidential		info not available	\$6.3 million	Proprietary		Proprietary	\$11.5 million	\$105M	300000000	

**A/E Book of Business:** An indication of a providers depth in providing insurance to the A/E industry, providers were asked to identify the number of A/E firms they insure along with total premium for their book of business. Twenty-five percent (25%) of the insurance carriers provided this information, others provided portions. Fifty percent (50%) withheld information stating confidential or at the request of the carrier.

## SmartRisk Economics & A/E Professional Liability (PL) Insurance Carrier Survey Report

	ACE USA	Arrowhead Design Ins. Div. / Hudson Ins. Group	AVRECO	Beazley Insurance Company	Benchmark Professional Insurance Services, Inc.	Catlin Design Professional	Euclid Managers - Scottsdale Insurance Company	Insight Insurance Services, Inc.	Ironshore Insurance Services	James River Insurance Company	Liberty International Underwriters, Inc.	RA&MCO Insurance Services	State Farm Fire and Casualty through State Farm Specialty Products	Terra Insurance Company (A Risk Retention Group)	Travelers	Victor O. Schinnerer/CNA	Zurich
--	---------	--	--------	---------------------------	---	----------------------------	--	----------------------------------	------------------------------	-------------------------------	--	---------------------------	--	--	-----------	--------------------------	--------

### Question 6 - Combined loss ratio:

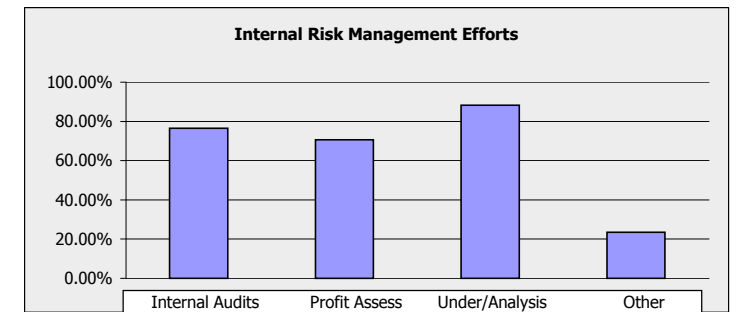
<b>2007</b>		Withheld at carrier request	unknown - our program small cog in Lloyd's wheel	90% - overall company (see investor reports on web)	Proprietary	N/A	Confidential		info not available		Proprietary	HCC - 83.4% GAAP	Proprietary	94.9%	Confidential	proprietary information	98.1
<b>2008</b>		Withheld at carrier request		90% - overall company (see investor reports on web)	Proprietary	N/A	Confidential		info not available		Proprietary	HCC - 85.4% GAAP	Proprietary	not yet released but around 90%	Confidential	proprietary information	95.6

### Question 7 - Identify actions taken by your company to manage internal risk ensuring stability and underwriting performance and profitability:

<b>Responses and other actions taken:</b>	Internal audits, profitability, underwriting and rating analysis	Internal audits, profitability, underwriting and rating analysis	Internal audits, underwriting and rating analysis	Internal audits, profitability, underwriting and rating analysis. Daily sessions with underwriters to discuss larger risks; limited underwriter authority on large limits	Internal audits, profitability, underwriting and rating analysis	Catlin has in place a comprehensive set of standards and controls to manage overall risk and exposures. In reaffirming Catlin's A rating, A.M. Best recognized and commended Catlin for its strong internal controls.	Underwriting and rating analysis	Underwriting and rating analysis	Internal audits, profitability, underwriting and rating analysis	Internal audits, profitability, underwriting and rating analysis	Internal audits, profitability, underwriting and rating analysis	Internal audits, profitability, underwriting and rating analysis	Internal audits, profitability, underwriting and rating analysis	Peer review through ASFE	Internal audits, profitability, underwriting and rating analysis	Internal audits, profitability, underwriting and rating analysis	Internal audits, profitability, underwriting and rating analysis. Institutionalized discipline in Zurich's approach to underwriting, reserving, investing, and risk management.
---	--	--	---	---	--	---	----------------------------------	----------------------------------	--	--	--	--	--	--------------------------	--	--	---

**Carriers Efforts Managing Internal Risk:** The economic environment has stressed insurance providers caused by the volatile markets effecting investment portfolios, financial flexibility, underwriting and reserve and adequate capital levels. Insurance providers were asked what internal controls are conducted to help manage and mitigate their internal risk, ensuring stability and underwriting performance and profitability. Read comments from certain carriers on additional actions taken to mitigate risk.

**\*88.2% Underwriting and rating analysis \* 76.5% Internal audits \* 70.6% Profitability assessments \* 23.5% indicated other measured also used.**



## SmartRisk Economics & A/E Professional Liability (PL) Insurance Carrier Survey Report

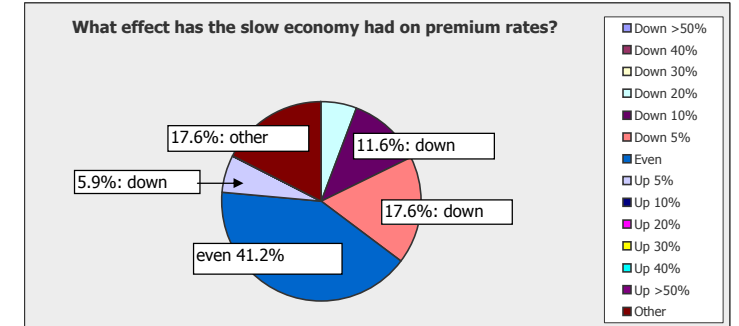
	ACE USA	Arrowhead Design Ins. Div. / Hudson Ins. Group	AVRECO	Beazley Insurance Company	Benchmark Professional Insurance Services, Inc.	Catlin Design Professional	Euclid Managers - Scottsdale Insurance Company	Insight Insurance Services, Inc.	Ironshore Insurance Services	James River Insurance Company	Liberty International Underwriters, Inc.	RA&MCO Insurance Services	State Farm Fire and Casualty through State Farm Specialty Products	Terra Insurance Company (A Risk Retention Group)	Travelers	Victor O. Schinnerer/CNA	Zurich
--	---------	--	--------	---------------------------	---	----------------------------	--	----------------------------------	------------------------------	-------------------------------	--	---------------------------	--	--	-----------	--------------------------	--------

### Question 8 - How has premium rates been effected in the last 12-18 months?

<b>Responses:</b>	Even	Down 5%	Down 10%	Even	Even. It has not affected our rates, but our premiums are down since the rating base is down.	N/A.	Down 10%	Even. The answer is for rates, not premiums charged	just beginning to develop this product	Up 5%	Down 20%	Even. Rates are stable.	Even	Even	Other	Down 5%	Down 5%
-------------------	------	---------	----------	------	---	------	----------	---	--	-------	----------	-------------------------	------	------	-------	---------	---------

**Premium Rates:** The majority of A/E firms have seen their annual revenue drop significantly in the past 12 - 18 months, some firms greater than 50%. Insurance providers were asked how that drop has effected their premium rates during the same period?

**\* 41.2% Even \* 17.6% down 5% \* 11.8% down 10% \* 5.9% down 20% \* 17.6% other**

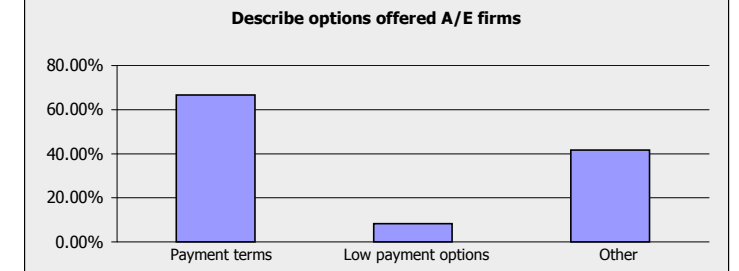


### Question 9 - Describe options your company are offering firms.

<b>Responses:</b>		Financing arranged by agents	Installment billing Help arrange financing		We can consider 2009 gross billings in our rating base.	Payment terms	None				No interest payment terms		we offer payment terms with no service fee	No interest payment options for insureds.	Direct Bill 10 payment plan - 25% down and 9 equal installments. No interest charge. A \$6 installment fee will apply if the premium is less than \$25,000.	Payment terms	Payment terms
-------------------	--	------------------------------	---	--	---	---------------	------	--	--	--	---------------------------	--	--	---	---	---------------	---------------

**Economic Difficulties:** Based on the economic difficulties many A/E firms are going through, insurance providers were asked to describe options they offer firms when purchasing insurance.

**\* 66.7% Payment terms \* 41.7% Other \* 8.3% Low interest payment options**



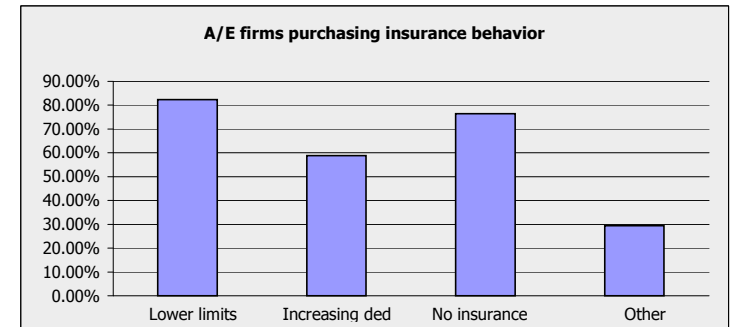
## SmartRisk Economics & A/E Professional Liability (PL) Insurance Carrier Survey Report

	ACE USA	Arrowhead Design Ins. Div. / Hudson Ins. Group	AVRECO	Beazley Insurance Company	Benchmark Professional Insurance Services, Inc.	Catlin Design Professional	Euclid Managers - Scottsdale Insurance Company	Insight Insurance Services, Inc.	Ironshore Insurance Services	James River Insurance Company	Liberty International Underwriters, Inc.	RA&MCO Insurance Services	State Farm Fire and Casualty through State Farm Specialty Products	Terra Insurance Company (A Risk Retention Group)	Travelers	Victor O. Schinnerer/CNA	Zurich
--	---------	--	--------	---------------------------	---	----------------------------	--	----------------------------------	------------------------------	-------------------------------	--	---------------------------	--	--	-----------	--------------------------	--------

Question 10 - Has economic conditions affected A/E firms purchasing insurance behavior?																	
<b>Responses:</b>	Lowering limits, increasing deductibles, not purchasing insurance	Lowering limits, increasing deductibles	Lowering limits, increasing deductibles, not purchasing insurance	Lowering limits, increasing deductibles, not purchasing insurance. Switching carriers for lower premiums	Lowering limits, not purchasing insurance, dropping first dollar defense deductible option	Increasing deductibles	Lowering limits, increasing deductibles, not purchasing insurance	Lowering limits, not purchasing insurance	Lowering limits, increasing deductibles, not purchasing insurance	Lowering limits, not purchasing insurance	Lowering limits, increasing deductibles, not purchasing insurance. Many firms are seeking the lowest cost carrier; so there is a potential flight to lower quality insurers	Lowering limits, increasing deductibles, not purchasing insurance	Lowering limits, not purchasing insurance	No changes noticed.....yet.	Lowering limits, increasing deductibles, not purchasing insurance	Lowering limits, increasing deductibles, not purchasing insurance	Increased deductibles. Unprecedented cost-focus combined with historically poor understanding of relative carrier value.

**Purchasing Insurance Behavior of A/E Firms:** Because of the economic challenges of many A/E firms, insurance providers were asked have they seen a change in behavior of firms when purchasing insurance? The answer is yes and in many cases firms are putting themselves at higher risk, taking on a higher deductible that may be inappropriate for their balance sheet, lowering limits and in the worst case scenario, not purchasing insurance at all.

**\* 82.4% Lowering limits \* 76.5% Not purchasing insurance \* 58.8% Increasing deductibles \* 29.4% Other**



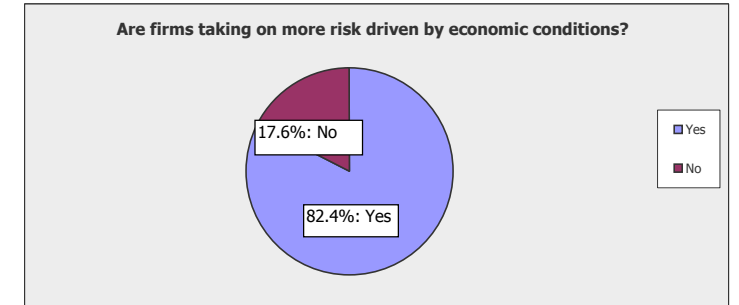
## SmartRisk Economics & A/E Professional Liability (PL) Insurance Carrier Survey Report

	ACE USA	Arrowhead Design Ins. Div. / Hudson Ins. Group	AVRECO	Beazley Insurance Company	Benchmark Professional Insurance Services, Inc.	Catlin Design Professional	Euclid Managers - Scottsdale Insurance Company	Insight Insurance Services, Inc.	Ironshore Insurance Services	James River Insurance Company	Liberty International Underwriters, Inc.	RA&MCO Insurance Services	State Farm Fire and Casualty through State Farm Specialty Products	Terra Insurance Company (A Risk Retention Group)	Travelers	Victor O. Schinnerer/CNA	Zurich
--	---------	--	--------	---------------------------	---	----------------------------	--	----------------------------------	------------------------------	-------------------------------	--	---------------------------	--	--	-----------	--------------------------	--------

### Question 11 - Are A/E firms taking on more risk driven by economic conditions?

Responses:	Yes	Yes	Yes. Some may be doing work outside of their norm	Yes. Firms are excepting jobs/clients they would not have worked for in the past, taking on more risk working for them now.	Yes	Yes	Yes	Yes	Yes	No	Yes	No	No	Yes	Yes	Yes. Many firms are diversifying into non-traditional project types that they haven't previously engaged in and uncertain as to the changing risk characteristics of new project types	Yes
------------	-----	-----	---	---	-----	-----	-----	-----	-----	----	-----	----	----	-----	-----	--	-----

**A/E Firms & Risk:** Based on the economic environment, insurance providers were asked if they feel A/E firms are taking on more risk. This could be related to their insurance purchasing decisions, expanding into other market sectors and territories, not performing due diligence required when offering services, etc. A super majority of the providers indicated yes to increased risk for firms. Read the helpful comments/examples provided by a few of the insurance providers. **\* Yes: 82.4% \* No: 17.6%**

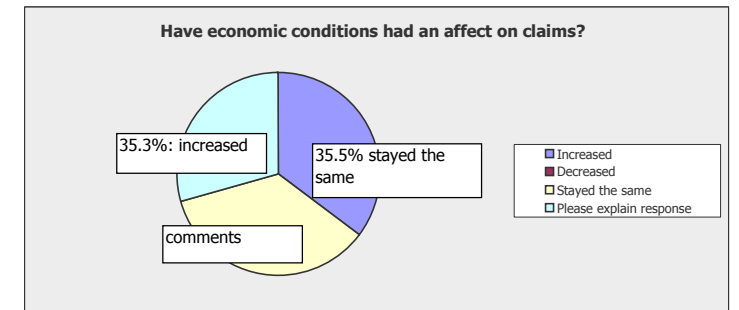


### Question 12 - Has the economic conditions increased claims:

Responses:	Stayed the same.	Stayed the same: Have not yet seen the expected up-tick.	More incidents are being reported that are not necessarily claims	frequency a bit on the rise but claimants also more willing to settle quicker	Stayed the same.	Catlin Design Professional has not yet had any claims.	Claims have increased	Claims have increased	Beginning to develop the A&E product here	Stayed the same	Claims have increased	Stayed the same	Stayed the same	Stayed the same	Claims have increased	Claims have increased	Claims have increased
------------	------------------	--	---	---	------------------	--	-----------------------	-----------------------	---	-----------------	-----------------------	-----------------	-----------------	-----------------	-----------------------	-----------------------	-----------------------

**Economic Environment & Claims:** Insurance providers were asked if they have seen an increase in claims based on the economic slowdown? Industry trends have shown that litigation and claims increase during a slow economy. Responses varied and depend upon market segment and regions of providers. Claims also appear two to five years down the road once a project has begun. Certain providers have seen increases and others anticipate increases.

**\* 35.3% increased \* 35.5% stayed the same \* 0% decreased**





## SmartRisk Economics & A/E Professional Liability (PL) Insurance Carrier Survey Report

	ACE USA	Arrowhead Design Ins. Div. / Hudson Ins. Group	AVRECO	Beazley Insurance Company	Benchmark Professional Insurance Services, Inc.	Catlin Design Professional	Euclid Managers - Scottsdale Insurance Company	Insight Insurance Services, Inc.	Ironshore Insurance Services	James River Insurance Company	Liberty International Underwriters, Inc.	RA&MCO Insurance Services	State Farm Fire and Casualty through State Farm Specialty Products	Terra Insurance Company (A Risk Retention Group)	Travelers	Victor O. Schinnerer/CNA	Zurich
--	---------	--	--------	---------------------------	---	----------------------------	--	----------------------------------	------------------------------	-------------------------------	--	---------------------------	--	--	-----------	--------------------------	--------

### Question 13 - Top three items you would advise A/E firms to focus on to manage risk?

<b>1.</b>	Contract Language	Stay focused on your strengths	Not to lower their standards	be selective in project and client selection - short term gains may end up in long term losses that can effect firms for years to come	Select clients/projects carefully and verify project is properly funded	Maintain discipline in negotiating and executing contracts	Client selection	Stay with projects within your expertise	the use of written contracts	Be true to their expertise	Continue proper due diligence regarding client selection	careful client selection	maintain professional liability insurance	Professional education	Managing Client Billings	Project Selection	Customer Selection
<b>2.</b>	Project Selection	Pursue profit, not volume	Not to take on jobs they are not trained to handle	work with a speciality broker who can assist in making sure proper coverage is selected and who offers risk management support (such as reviewing contracts)	Stay on top of receivables to avoid collection issues which may turn into negligence claims.	Use extreme caution when expanding into project types beyond the firm's traditional offerings	Project Budgets	Don't accept bad clients that you would have rejected a year ago	require subs to carry their own PL coverage		Continue to focus on projects within your area of experience	detailed/timely documentation	use contracts/maintain good client relationships	Stay on top of collections	Project Selection	Client Selection	Accounts Receivable Management
<b>3.</b>	Business Partners	Risk management vigilance, now more than ever		be selective in choosing a carrier that offers preclaim assistance support and has longevity in the A&E Professional Liability market (claims can take years to settle - you want a carrier that will still be there years from now)	Do not stray from your area of expertise just for the sake of obtaining work		Payment terms	Written documentation (contracts, meeting notes, etc.) are vitally important	do not take on projects not experienced in		Increase your focus on documentation protocol especially for firms that are facing layoffs and may not have the personnel that worked on a project available if a claim arises	verify insurance carried by subs	engage in good recordkeeping	Client and project selection	Client Selection	Collection of Payment	Extreme Prudence in Unfamiliar Locales

**A/E Firm Focused Risk Management Efforts:** Insurance providers were asked to provide their top three risk management recommendations for A/E firms. There are many excellent recommendations for firms to consider. The common threads; **1) Good contracts 2) Project & client selection 3) Obtain insurance based on quality, not on premium 4) Stay within your area of expertise 5) Good documentation including staying on top of accounts receivable 6) Verify insurance for subs-consultants and 7) Ensure adequate project funding is available.**

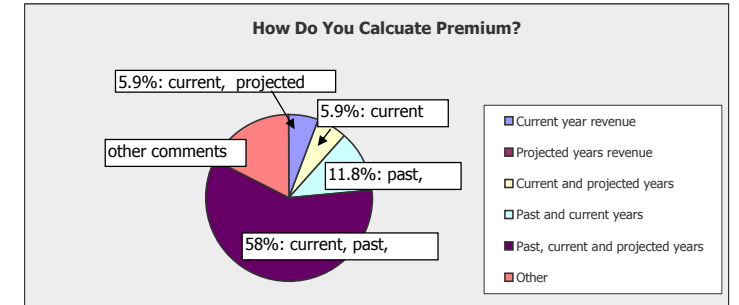
## SmartRisk Economics & A/E Professional Liability (PL) Insurance Carrier Survey Report

	ACE USA	Arrowhead Design Ins. Div. / Hudson Ins. Group	AVRECO	Beazley Insurance Company	Benchmark Professional Insurance Services, Inc.	Catlin Design Professional	Euclid Managers - Scottsdale Insurance Company	Insight Insurance Services, Inc.	Ironshore Insurance Services	James River Insurance Company	Liberty International Underwriters, Inc.	RA&MCO Insurance Services	State Farm Fire and Casualty through State Farm Specialty Products	Terra Insurance Company (A Risk Rentention Group)	Travelers	Victor O. Schinnerer/CNA	Zurich
--	---------	--	--------	---------------------------	---	----------------------------	--	----------------------------------	------------------------------	-------------------------------	--	---------------------------	--	---	-----------	--------------------------	--------

**Question 14 - Identify revenue numbers used to calculate premium:**

Other (please specify)	Past and current year	Past, current and projected year	Past, current and projected year	Past 3 fiscal year revenues less reimburseables	Past, current and projected year	Past, current and projected year	Past, current and projected year	Past, current and projected year	Past, current and projected year	Past, current and projected year	Current and projected year	Past, current and projected year	Past revenue for firm's with existing PL insurance.	Certain large policy holders enter into 3 year premium payment arrangements with Terra and premium is based upon projected revenues	Weighted Average, based on past 3 years of billings

**Revenue in Calculating Premium:** There has been dramatic changes in A/E annual premium in the last 12-18 months. A recent survey conducted by SmartRisk indicated that 53% of all firms revenue has dropped between 10% - > 50%. Many firms are asking why their premium has not dropped significantly based on their revenue reduction. Insurance providers calculate premium based on a combination of annual year revenue's. Insurance providers were asked to dedcribe how they calaculate premium based on revenue. **\* 58% past, current and future year \* 11.8% past and current year \* 5.9% current and projected year \* 5.9% current year**



## SmartRisk Economics & A/E Professional Liability (PL) Insurance Carrier Survey Report

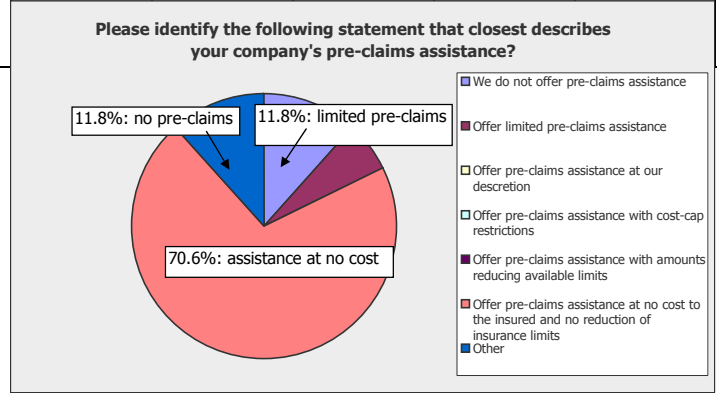
	ACE USA	Arrowhead Design Ins. Div. / Hudson Ins. Group	AVRECO	Beazley Insurance Company	Benchmark Professional Insurance Services, Inc.	Catlin Design Professional	Euclid Managers - Scottsdale Insurance Company	Insight Insurance Services, Inc.	Ironshore Insurance Services	James River Insurance Company	Liberty International Underwriters, Inc.	RA&MCO Insurance Services	State Farm Fire and Casualty through State Farm Specialty Products	Terra Insurance Company (A Risk Retention Group)	Travelers	Victor O. Schinnerer/CNA	Zurich
--	---------	--	--------	---------------------------	---	----------------------------	--	----------------------------------	------------------------------	-------------------------------	--	---------------------------	--	--	-----------	--------------------------	--------

**Question 15 - Please identify the following statement that closest describes your company's pre-claims assistance?**

Responses:	Offer pre-claims assistance at no cost to the insured and no reduction of insurance limits	Offer pre-claims assistance at no cost to the insured and no reduction of insurance limits	We do not offer pre-claims assistance	A. Pre-Claims Assistance If the Insured reports a Circumstance during the Policy Period, in accordance with Clause XII.B., until such time a Claim is made, any costs or expenses the Insurer incurs as a result of investigating or monitoring such Circumstance, will be paid for by the decision to incur any costs or expenses to monitor or investigate such Circumstance shall be at the sole discretion of the Insurer. -- essentially firms need to report a situation and we will work with them in managing the pre-claim matter.	Offer pre-claims assistance at no cost to the insured with amounts reducing available limits	Offer pre-claims assistance at no cost to the insured and no reduction of insurance limits	Offer pre-claims assistance at no cost to the insured and no reduction of insurance limits	Offer pre-claims assistance at no cost to the insured and no reduction of insurance limits	We do not offer pre-claims assistance.	Offer pre-claims assistance at no cost to the insured and no reduction of insurance limits	Offer pre-claims assistance at no cost to the insured and no reduction of insurance limits	Offered at no cost when handled internally by our claims handling entity.	Offer limited pre-claims assistance	Terra advocates early reporting of all problems associated with an insured professional services. We assist policyholders free of charge.	Offer pre-claims assistance at no cost to the insured and no reduction of insurance limits	Offer pre-claims assistance at no cost to the insured and no reduction of insurance limits	Offer pre-claims assistance at no cost to the insured and no reduction of insurance limits

**Pre-Claims Assistance Programs:** A very helpful and important aspect of risk management efforts is when an A/E firm may have a situation and needs guidance that is not defined as a claim, however could develop into a claim if not handled properly. Pre-claim assistance provided by insurance carriers varies widely and each provider was asked to describe their pre-claim assistance program. A/E firms are recommended to inquire further and obtain details into a providers pre-claims assistance program as well as expertise.

**\* 70.6% offer pre-claims assistance at no cost to the insured \* 11.8% offer no pre-claims assistance \* 11.8% offer limited pre-claims assistance**



## SmartRisk Economics & A/E Professional Liability (PL) Insurance Carrier Survey Report

	ACE USA	Arrowhead Design Ins. Div. / Hudson Ins. Group	AVRECO	Beazley Insurance Company	Benchmark Professional Insurance Services, Inc.	Catlin Design Professional	Euclid Managers - Scottsdale Insurance Company	Insight Insurance Services, Inc.	Ironshore Insurance Services	James River Insurance Company	Liberty International Underwriters, Inc.	RA&MCO Insurance Services	State Farm Fire and Casualty through State Farm Specialty Products	Terra Insurance Company (A Risk Retention Group)	Travelers	Victor O. Schinnerer/CNA	Zurich
--	---------	--	--------	---------------------------	---	----------------------------	--	----------------------------------	------------------------------	-------------------------------	--	---------------------------	--	--	-----------	--------------------------	--------

**Question 16 - Please identify the following statements that closest describes your claims management program (multiple answers available):**

Responses:	Claims managers and defense counsel specialize in A/E PL	We offer claims management services on all accounts, Claims managers and defense counsel specialize in A/E PL, We select defense counsel, We allow firms to select defense counsel, if qualified and fit rating structure	If local counsel is needed, our supervisory attorneys would consider insureds request for local counsel - based on experience and rates charged	We offer claims management services on all accounts, Claims managers and defense counsel specialize in A/E PL, We allow firms to select defense counsel, if qualified and fit rating structure	We offer claims management services on all accounts, Claims managers and defense counsel specialize in A/E PL, We select defense counsel, We allow firms to select defense counsel, if qualified and fit rating structure	We offer claims management services on all accounts, We allow firms to select defense counsel, if qualified and fit rating structure	Claims managers and defense counsel specialize in A/E PL.	We offer claims management services on all accounts, Claims managers and defense counsel specialize in A/E PL, We select defense counsel, We allow firms to select defense counsel, if qualified and fit rating structure	We select defense counsel, We allow firms to select defense counsel, if qualified and fit rating structure	Claims managers and defense counsel specialize in A/E PL, We allow firms to select defense counsel, if qualified and fit rating structure	We offer claims management services on all accounts, Claims managers and defense counsel specialize in A/E PL, We allow firms to select defense counsel, if qualified and fit rating structure	We offer claims management services on all accounts, We select defense counsel.	Claims managers and defense counsel specialize in PL, We select defense counsel.	We offer claims management services on all accounts, Claims managers and defense counsel specialize in A/E PL, We select defense counsel, We allow firms to select defense counsel, if qualified and fit rating structure	Claims managers and defense counsel specialize in A/E PL	Claims managers and defense counsel specialize in A/E PL, We select defense counsel. We allow alternative defense counsel when requested by insured where appropriate under the circumstances.	We offer claims management services on all accounts, Claims managers and defense counsel specialize in A/E PL.

**Claims Management:** It is important that when a firm has a claim, there are employees knowledgeable with the A/E, PL expertise to guide them through the claim handling process.

Insurance providers were asked to describe aspects of their claims management program.

**\* 76.5% claims managers are specialized in A/E PL**

**\* 52.9% allow firms to select defense counsel, if qualified \* 47.1% select defense counsel for firms \* 17.6% of claims managers specialize in PL**

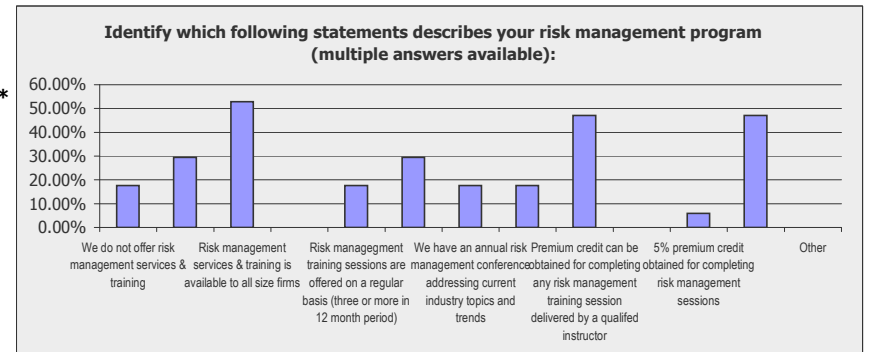
## SmartRisk Economics & A/E Professional Liability (PL) Insurance Carrier Survey Report

	ACE USA	Arrowhead Design Ins. Div. / Hudson Ins. Group	AVRECO	Beazley Insurance Company	Benchmark Professional Insurance Services, Inc.	Catlin Design Professional	Euclid Managers - Scottsdale Insurance Company	Insight Insurance Services, Inc.	Ironshore Insurance Services	James River Insurance Company	Liberty International Underwriters, Inc.	RA&MCO Insurance Services	State Farm Fire and Casualty through State Farm Specialty Products	Terra Insurance Company (A Risk Retention Group)	Travelers	Victor O. Schinnerer/CNA	Zurich
--	---------	--	--------	---------------------------	---	----------------------------	--	----------------------------------	------------------------------	-------------------------------	--	---------------------------	--	--	-----------	--------------------------	--------

**Question 17 - Please identify the following statements that closest describes your risk management program (multiple answers available):**

Responses:	We offer limited risk management services & training. Contract Review services is available to all firms	Risk management services & training is available to all size firms, Premium credit of 5% - 10% can be obtained for completing risk management training sessions.	We do not offer risk management services & training	Risk management services & training is available to all size firms, sessions offered on a regular basis (three or more in 12 month period). Annual risk management conference is for larger firms (Expert Retreat) dealing with more complex issues. Training offered on-line for a firms convenience, premium credit obtained only for completing our risk management training sessions, 5% - 10% premium credit can be obtained for completing risk management sessions.	Risk management services & training is available to all size firms. Premium credit obtained for completing any risk management training session delivered by a qualified instructor, 5% - 10% premium credit obtained for completing risk management sessions.	Risk management services & training is available to all size firms, premium credit can be obtained for completing any risk management training session delivered by a qualified instructor	We offer limited risk management services & training	We offer limited risk management services & training, premium credit can be obtained for completing any risk management training session delivered by a qualified instructor, 5% - 10% premium credit can be obtained for completing risk management sessions	We do not offer risk management services & training	Risk management services & training is available to all size firms	Risk management services & training is available to all size firms, training is offered online for a firms convenience, annual risk management conference addressing current industry topics and trends for agents and insureds, Premium credit is obtained only for completing our risk management training sessions as well as other risk management training sessions delivered by a qualified instructor, 5% - 10% premium credit can be obtained for completing risk management sessions.	Contract Review services is available to all firms. Contract review services is available for insureds. All new policyholders receive a contract reference guide and loss prevention booklets.	We do not offer risk management services & training, Premium credit can be obtained for completing any risk management training session delivered by a qualified instructor, 5% premium credit obtained for completing risk management sessions	Risk management services & training is available to all size firms, Risk management training is offered online where firms can participate at their convenience, premium credit can be obtained for completing any risk management training session delivered by a qualified instructor, 5% - 10% premium credit can be obtained for completing risk management sessions.	Risk management training is offered online where firms can participate at their convenience	Risk management services & training is available to all size firms, sessions are offered on a regular basis (three or more in 12 month period), offered online where firms can participate at their convenience, annual risk management conference addressing current industry topics and trends, premium credit obtained for completing our risk management training sessions as well as session delivered by a qualified instructor, 5% - 10% premium credit.	Risk management services & training is available to all size firms, Risk management training sessions are offered on a regular basis (three or more in 12 month period), Premium credit can be obtained for completing any risk management training session delivered by a qualified instructor,

**Risk Management Program:** Risk management program and offerings vary widely by insurance providers. Some offer no or limited services, other carriers offer in-depth services including inhouse session, annual conferences and online training where premium credits can be obtained for completion. Certain providers offer premium credits for completing any risk management session delivered by a qualified instructor. Others only offer credits if firms have completed their training sessions and only offered on certain size accounts. It is highly recommended that firms fully understand and compare insurance providers risk management program offerings and services. \* **52.9% offered services to all insureds** \* **29.4% offer limited services** \* **29.4% offer on-line sessions** \* **17.6% do not offer risk management services** \* **17.6% premium credit for completing our risk management program** \* **47.1% premium credit can be obtained**



## SmartRisk Economics & A/E Professional Liability (PL) Insurance Carrier Survey Report

	ACE USA	Arrowhead Design Ins. Div. / Hudson Ins. Group	AVRECO	Beazley Insurance Company	Benchmark Professional Insurance Services, Inc.	Catlin Design Professional	Euclid Managers - Scottsdale Insurance Company	Insight Insurance Services, Inc.	Ironshore Insurance Services	James River Insurance Company	Liberty International Underwriters, Inc.	RA&MCO Insurance Services	State Farm Fire and Casualty through State Farm Specialty Products	Terra Insurance Company (A Risk Retention Group)	Travelers	Victor O. Schinnerer/CNA	Zurich
--	---------	--	--------	---------------------------	---	----------------------------	--	----------------------------------	------------------------------	-------------------------------	--	---------------------------	--	--	-----------	--------------------------	--------

### Question 18 - Where do you see PL rates for the remaining of 2009 and 2010?

<b>Responses:</b>	2009 up 5% 2010, up 5%	2009 down 5%, 2010 up 10%	2009 even 2010 even	2009 even 2010 even	2009 even 2010 even	2009 up 5% 2010, up 10%	2009 even 2010 even	2009 even 2010 even	Ironshore is a start up co. developing A&E product, 2009 up 15% 2010 up 20%	2009 up 5% 2010, up 5%	Based on the unpredictability of the economic climate and the insurance industry it is hard to predict. 2009 down 10% 2010 even	It appears that rates in the marketplace will be stable to slightly downward. 2009 up 5% 2010 up 5%	2009 even 2010 up 10%	2009 up 5% 2010, up 5%	2009 even 2010 even	Many competitors and new entrants in marketplace. Size and account specific rate considerations. Firms with losses will see greater rate impact than firms without losses. 2009 down 5% 2010 even	2009 & 2010 up 10%
-------------------	---------------------------	------------------------------	------------------------	------------------------	------------------------	----------------------------	------------------------	------------------------	---	---------------------------	---	---	--------------------------	---------------------------	------------------------	---	--------------------

**Premium Rates for 2009 & 2010:** Insurance providers were asked to provide their predictions for insurance rates for the remaining of 2009 and for 2010. Based on the volatility of the market, responses were across the board on future premium rates. There are many factors effecting insurance rates today, including the economy, market conditions, stability of carriers and new entrants into the PL insurance market. Nearly half of the providers indicated even rates for 2009 and 2010. Others indicated decreases of 5-10% with other stated increases of 5-20%.

### Question 19 - In a recent survey of A/E firms, 18.5% have changed PL insurance carriers. What is your renewal/retention ratio?

<b>Responses:</b>		85%+	about 75%	approx 85-90%	93%	N/A	About the same		we are just beginning to track this info	75%	80%	Greater than 80%.	Proprietary	roughly 100%,		The past year's renewal retention is 85%.	
-------------------	--	------	-----------	---------------	-----	-----	----------------	--	--	-----	-----	-------------------	-------------	---------------	--	---	--

**Renewal Rates:** Renewal rates are a good indicator of a providers performance addressing the needs and services of the A/E sector, with the high renewal rates the better. However, in todays' economic environment, you also have to take into consideration the current purchasing behavior of A/E firms that are chasing lower premiums instead of considering the quality of their insurance provider. The higher renewal/retention ratio is a good indication of a carrier addressing the insurance needs and offering valuable servcies for the A/E market sector at a competitive price. This is a good question to ask you insurance provider. Another helpful indicator is inquiring into a carriers retention of firms that have had claims with them? If this ratio is low, it is a negative reflection of a providers claim handling and management practices.

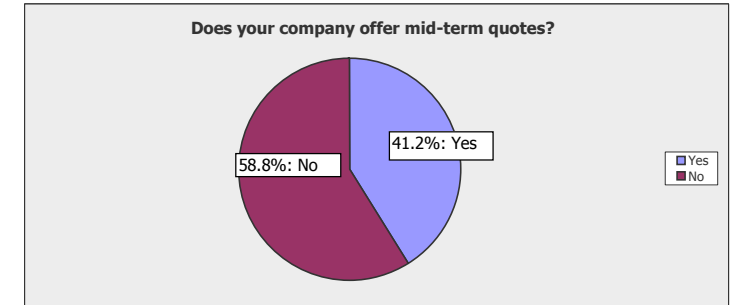
## SmartRisk Economics & A/E Professional Liability (PL) Insurance Carrier Survey Report

	ACE USA	Arrowhead Design Ins. Div. / Hudson Ins. Group	AVRECO	Beazley Insurance Company	Benchmark Professional Insurance Services, Inc.	Catlin Design Professional	Euclid Managers - Scottsdale Insurance Company	Insight Insurance Services, Inc.	Ironshore Insurance Services	James River Insurance Company	Liberty International Underwriters, Inc.	RA&MCO Insurance Services	State Farm Fire and Casualty through State Farm Specialty Products	Terra Insurance Company (A Risk Retention Group)	Travelers	Victor O. Schinnerer/CNA	Zurich
--	---------	--	--------	---------------------------	---	----------------------------	--	----------------------------------	------------------------------	-------------------------------	--	---------------------------	--	--	-----------	--------------------------	--------

### Question 20 - Does your company offer mid-term quotes?

Responses:	No	Yes - for new prospects No - to current insureds	Yes, if there's a good reason for it	No. The only time would be due to an insolvency of another carrier	No	No. Would consider in unique circumstances such as the insolvency of the firm's prior carrier.	No. Not based on just premium	No. Unless there is an overriding concern - such as a company no longer offering coverage.	Yes only if the incumbent is unable or unwilling to provide adequate coverage	No	No. We would only consider if there is a compelling reason to do so such as the current carrier can not provide coverage or risk management needs.	No	Yes	Yes	No. We would only offer mid-term quotes on an exception basis.	Yes. We can offer them but do so on a limited basis.	Yes

**Mid-term Quotes:** With the volatility in the insurance market, and firms at times chasing lower premiums, certain providers would offer mid-term quotes for firms, other would not. Mid-term quotes are described as obtaining an insurance quote and changing insurance during a policy period. The majority of providers do not offer mid-term quotes, however may under certain circumstance such as the insolvency of a carrier. Certain providers identify conditions when this would be offered, or not. \* **No 58.8%** \* **Yes 41.2%**



## SmartRisk Economics & A/E Professional Liability (PL) Insurance Carrier Survey Report

	ACE USA	Arrowhead Design Ins. Div. / Hudson Ins. Group	AVRECO	Beazley Insurance Company	Benchmark Professional Insurance Services, Inc.	Catlin Design Professional	Euclid Managers - Scottsdale Insurance Company	Insight Insurance Services, Inc.	Ironshore Insurance Services	James River Insurance Company	Liberty International Underwriters, Inc.	RA&MCO Insurance Services	State Farm Fire and Casualty through State Farm Specialty Products	Terra Insurance Company (A Risk Retention Group)	Travelers	Victor O. Schinnerer/CNA	Zurich
--	---------	--	--------	---------------------------	---	----------------------------	--	----------------------------------	------------------------------	-------------------------------	--	---------------------------	--	--	-----------	--------------------------	--------

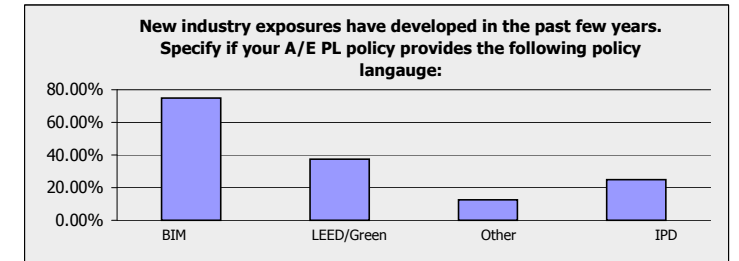
**Question 21 - Specify if your A/E PL policy provides the following policy language: BIM, LEED, Intergrated Project Delivery, other:**

Responses:																	
		We have no specific language for any of these activities, nor are any of them excluded.		BIM technology. We don't exclude firms doing the other delivery methods. However, certain policy provisions in all standard PL policies should be reviewed related to warrantry/guarantee exclusions versus contract language firms are entering into.	BIM, technology, Leed, green, sustainable design, Intergrated project delivery	BIM, technology, Leed, green, sustainable design. Our policy offers true technology coverage for design professionals and does not exclude delay damages as others do. Additionally, for firms who in the past three years designed 20% or more of their projects to be LEED certified, we offer up to a 10% reduction in the firm's premium.		We consider all of these categories to be included in the coverage provided by our policy		We work with each insured that needs specific coverage enhancements. While not specifically named, these technologies are an integral part of the A&E world today and we recognize that they are covered exposures.	The items above represent processes and services that are part of a Design Professionals customary services and protected by the policy	Professional services provided by AE firms are contemplated for coverage.		Toxic mold and biological pollutant coverages	BIM, technology	BIM, technology. Our broad definition of professional services addresses these professional services.	BIM, technology, Leed, green, sustainable design, IPD can be underwritten.

**Market Exposures & Insurance Policy Language:** Based on recent developments in the A/E market and services segments, insurance providers were asked if they had policy language developed or methods used providing coverage for the following:

\* **37.5% LEED, sustainable coverage** \* **12.5% Intergrated Project Delivery** \* **25% Other Coverages**

**\* 75% BIM coverage**





## SmartRisk Economics & A/E Professional Liability (PL) Insurance Carrier Survey Report

	ACE USA	Arrowhead Design Ins. Div. / Hudson Ins. Group	AVRECO	Beazley Insurance Company	Benchmark Professional Insurance Services, Inc.	Catlin Design Professional	Euclid Managers - Scottsdale Insurance Company	Insight Insurance Services, Inc.	Ironshore Insurance Services	James River Insurance Company	Liberty International Underwriters, Inc.	RA&MCO Insurance Services	State Farm Fire and Casualty through State Farm Specialty Products	Terra Insurance Company (A Risk Retention Group)	Travelers	Victor O. Schinnerer/CNA	Zurich
--	---------	--	--------	---------------------------	---	----------------------------	--	----------------------------------	------------------------------	-------------------------------	--	---------------------------	--	--	-----------	--------------------------	--------

**Question 22 - Additional information you would like A/E firms and industry professionals to know about your A/E PL insurance program and services:**

<b>Responses:</b>		Policy includes Automatic Excess over Project Policies	We have redone our wording this past year to give some of the "bells and whistles" that others provide and we have removed our mold exclusion	We have been underwriting A&E professional liability coverage for > 20 yrs and have a specialized team of highly experienced underwriters and insure many of the top 50 ENR firms.	Navigators A&E Program offers a stable, admitted market to eligible risks including broad coverage at competitive premiums.					James River has a broad appetite for risks and will work to help tailor the coverage to the needs of insureds through the extensive expertise on staff..	Liberty is a leading global AE Professional Liability provider and provides insurance coverage to all size firms including the largest international design entities. Liberty offers a full suite of AE professional liability products including primary practice policies; Excess coverage; and Project Specific policies. Liberty focuses on superior claims service with its dedicated AE claims department the industry's leading AE defense counsel. Liberty is a committed risk management provider and has developed a robust loss prevention program with online capabilities. Liberty has a proven track record for underwriting consistency and high quality professional claims and risk management services.	RA&MCO's has been writing professional liability for AE firms since 1986 and has engineers on its underwriting staff. All coverages are supported by excellent claims handling. All new policyholders receive a contract reference guide and a loss prevention booklet. See our website at <a href="http://www.ramco-ins.com">www.ramco-ins.com</a>	State Farm's A&E insureds also receive the benefit of the services provided by their State Farm agent who can help them with a variety of business insurance and personal insurance needs.	Terra has been writing PL coverage for geotechnical, civil and environmental engineers for 40 years. Up to the Orion acquisition of DPIC in 1984, Terra owned over 40% of DPIC stock, which it helped to capitalize and form DPIC in the early 1970's. Terra is one of the most reliable and highest rated insurers in the marketplace today. While other PL carriers have seen their stock values decrease materially over the value has increased from 10/share in 1988 to over 247/share through 3/31/09. Terra has experienced earning and increases in its book value per share for 21 consecutive years.		We have been a provider of professional liability insurance for design professionals for over 50 years.	
-------------------	--	--	---	--	---	--	--	--	--	--	---	---	--	--	--	---	--

## SmartRisk Economics & A/E Professional Liability (PL) Insurance Carrier Survey Report

	ACE USA	Arrowhead Design Ins. Div. / Hudson Ins. Group	AVRECO	Beazley Insurance Company	Benchmark Professional Insurance Services, Inc.	Catlin Design Professional	Euclid Managers - Scottsdale Insurance Company	Insight Insurance Services, Inc.	Ironshore Insurance Services	James River Insurance Company	Liberty International Underwriters, Inc.	RA&MCO Insurance Services	State Farm Fire and Casualty through State Farm Specialty Products	Terra Insurance Company (A Risk Retention Group)	Travelers	Victor O. Schinnerer/CNA	Zurich
--	---------	--	--------	---------------------------	---	----------------------------	--	----------------------------------	------------------------------	-------------------------------	--	---------------------------	--	--	-----------	--------------------------	--------

### Conclusion

This is a challenging period for many A/E firms, environment consultants as well their PL insurance providers. The 17 specialized A/E PL insurance carriers that participated in the survey provided insightful and useful information from their unique perspective on practices, trends, risk factors and their offerings to A/E firms. Insurance providers identified what they are doing to mitigate their own risk by conducting internal audits and other actions to help ensure performance and profitability. Eighty-two percent (82%) of firms are accepting more risk driven by economic conditions. A/E firms behavior has placed them at a higher risk with 73% of responses stating firms are not purchasing insurance, lowering limits and increasing deductibles placing the financial viability of their firm at risk. A/E firms looking for additional avenues of revenue are going outside their areas of expertise as well as accepting risk by working with clients and on projects where under normal circumstances they would have pass upon.

Each insurance provider varies in their business strategy including offerings, services, underwriting, risk management and claims management practices. Certain providers provide pre-claim assistance while others offer no or limited services. Seventy-one percent (71%) of the providers indicated they offer pre-claims assistance at no cost to the insured while 11.8% offers no pre-claims or limited assistance. It is important if a firm does have a claim, there is knowledgeable and experienced staff behind them guiding them through the claim handling process, especially in this heightened period of claims and litigation. Risk management program offerings also vary widely from in-depth programs including in-house training sessions, annual conferences and online training to no risk management services offered. Certain providers offer premium credits for completing any risk management session while other for only completing their programs.

A/E firms should know exactly what they are paying for when purchasing PL insurance. There are no frills providers and others offering a wide variety and depth of services and somewhere in between. PL premium costs should reflect the differences in offerings and firms should know the PL carriers capability. It is highly recommended A/E firms fully understand and perform due diligence on PL insurance providers prior to purchasing insurance. No or low services providers, the premium should be lower that a full service carrier. There is additional cost associated with providers offering value-added services that assist firms in managing and mitigating risk. In it important that A/E firms do not select PL insurance based only on the premium cost alone. There are many elements to consider including that insurances plays an important role in your overall protection of your business and risk management program efforts. Similar to the expertise needed in the services A/E firms offers, it is important for firms to know the capabilities, experience and specific offerings of their insurance carrier in this specialized market segment.

### SmartRisk LLC Minimize Risk- Maximize Performance

#### About SmartRisk and the Author

SmartRisk LLC is a consultancy providing risk and performance management services supporting the design, environmental and construction market segments. Services include:

- \* SR Risk Assessment Reports & Profiles
- \* Risk Management Plans
- \* Training & Consulting
- \* Insurance Analysis
- \* Contract Review

The survey report author Timothy (Tim) Corbett is Founder and President of SmartRisk LLC. Tim has over 25 years of experience developing and implementing insurance and risk management programs for architects, engineers, environmental consultants, and construction professionals. He has implemented model programs for numerous firms, including international engineering/construction firms Bechtel and EG&G, where he obtained a Department of Energy (DOE) Top Secret Security "Q" Clearance. Tim held VP and Director Positions with insurance carriers DPIC and Zurich with responsibilities for Underwriting, Risk Management and Industry Relations. Mr. Corbett is a member of American Council of Engineering Companies (ACEC), American Institute of Architects (AIA), and the United States Green Building Counsel (USGBC). Tim sits on numerous national committees, is regularly called upon as a speaker at regional and national forums, has been published and quoted on the topics and owns copyrights to risk management practices and strategies.

For more information on how SmartRisk can help improve your performance and profitability through specialized assessments, risk and performance management solutions, please contact us.

Tel: 626-665-8150  
Email: info@smartrisk.biz  
www.smartrisk.biz

**NOTE:** The survey report is for information purposes only and is based only upon responses at the time of the survey. Market conditions and offering continue to change. Firms should obtain current information related to their specific questions, and/or circumstances.