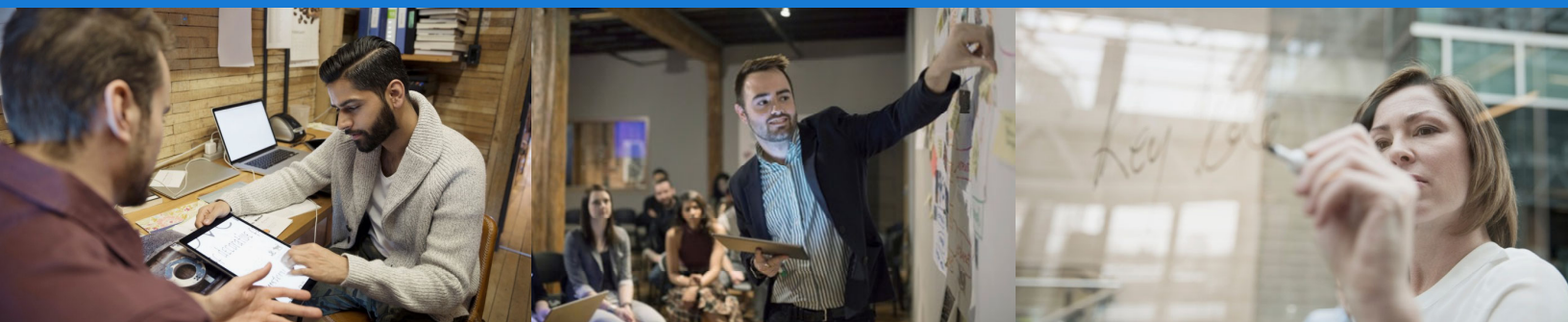


Proposal to Provide Insurance Brokerage Services to

# **Canadian Lawyers Liability Assurance Society**

2021 Renewal Submission





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# Introduction

The market for lawyers professional liability insurance has continued to harden over the past 12 months, driven by restrictions on insurers' capacity and a trend towards increasingly large claims settlements. This comes on top of the broader systemic challenges facing insurers, such as cyber-risk and increasingly frequent catastrophic natural events.

Rate increases of 15% and up have been the "norm" for lawyers' professional liability renewals over the past 12 months although it was not uncommon for higher excess layer insurers to push for more given the lack of alternative capacity in the market.

Despite this we are pleased to confirm that all the current excess insurers have agreed to renew their participation for a further year and have agreed to limit their increases to 10% on the \$50,000,000 excess of \$50,000,000 layer and 10% on the next layer of \$60,000,000 excess of \$100,000,000.

We are layering the program under two towers as we did last year and again this is confirmed in the information attached.

As in the past we have provided you with the financial information in this submission regarding the Insurers. All the insurers remain strong and have an AM Best, or equivalent rating of A- or better.

We trust you will find the attached to be satisfactory, and if you wish to have any further discussions with me, please do not hesitate to let me know.



# Policy Wordings

No changes in 2021

# Renewal Quotations

## CLLAS Canadian Excess Program

	Liberty Lead	Encon Lead
	\$50x50 (\$474)	\$60x\$100 (\$411)
Liberty International Canada	20%	9.5%
Victor Insurance (formally Encon)	10%	25%
Travelers Insurance Company of Canada	10%	16.5%
Royal & Sun Alliance Insurance Company of Canada	20%	9.5%
AXA XL	10%	
Axis Reinsurance Company	10%	
Northbridge Insurance Company	5% (10% on Associate)	10%
The Sovereign General Insurance Company		16.5%
QBE Services Inc.	10%	8%
CLLAS	5% (0% on Associate)	5%
Total	100%	100%

1. One CLLAS member purchases \$30,000,000 xs \$50,000,000. The new rate per lawyer is \$328 per lawyer and the new \$50,000,000 xs \$50,000,000 Insurer group will provide this layer.
2. We do have one Associate Member of CLLAS and they will purchase \$45,000,000 xs \$50,000,000 and the renewal rate is \$601 per lawyer.

Note: The new rate on the layer of \$110,000,000 excess of \$50,000,000 is \$885 per lawyer vs. the expiring rate of \$805 per lawyer, which is an overall increase of 10%

# Renewal Quotations

## CLLAS International

Insurer	Layer	Proposed Renewal
		<b>2021 - 2022</b>
CNA (25%)	US\$30,000,000 each claim and aggregate	15% Rate increase or increased retention options with a lesser rate increase
AXA XL (16.50%)		
Berkshire (25%)		
Aspen Re (16.5%)		
Lloyds (17.00%)		

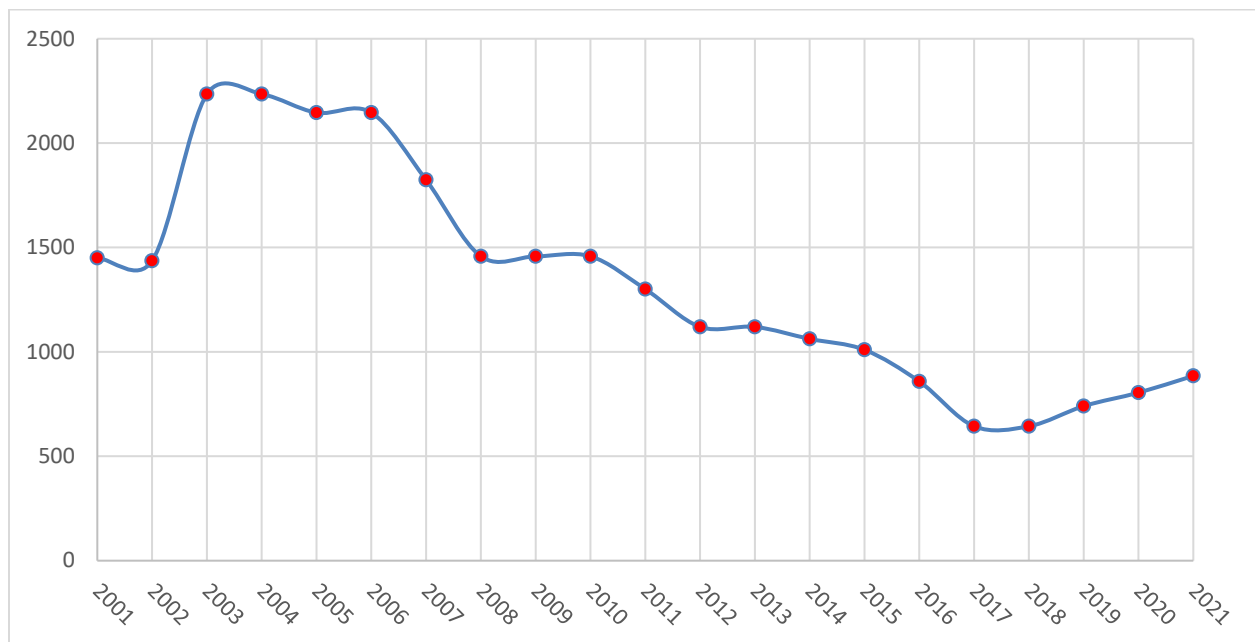
Note: Each Participating firm will receive a renewal notice confirming their renewal terms.

# Rate Summary

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Rates	1450	1436	2235	2235	2146	2146	1824	1458	1458	1458

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Rates	1301	1120	1120	1062	1010	858	644	644	740	805

	2021									
Rates	885									





# State of the Market

The property and casualty insurance market in Canada has continued to harden over the past twelve months as insurers look to correct course after years of worsening losses and soft market underwriting conditions. The direct impact from Covid on the insurance market has not been as drastic as some feared; insurers have largely avoided having to pay business interruption losses although these cases are still making their way through the courts.

That said, the financial impact from the pandemic on long tail classes of liability insurance, such as directors and officer's liability and employment practices liability remain to be seen, but there will likely be substantial sums paid by insurers. Cyber related losses have also skyrocketed over the past 18 months with Canadian insurers reporting a 400% increase in their loss ratios from 2019 to 2020 due to a proliferation of cyber-attacks. In Canada, law firms are some of the most frequently targeted businesses from a cyber standpoint and the losses tend to be more severe due to the mix of sensitive data law firms hold and a heavy systems reliance.

As noted, we've seen modest rate increases in the professional liability market over the last twelve months, driven by a lack of capacity and an increase in the severity of claims over the past few years. In the case of large professional liability programs, the higher excess layers can see larger percentage increases as capacity has become dearer and insurers look to take advantage of the situation. We expect to see a levelling out in the professional liability space in the short to mid-term but there is unlikely to be any rate relief without an injection of new capacity. While we have seen some new syndicate capacity out of Lloyds, we expect they will be selective about the business they write, and this may be offset by domestic insurers managing their line sizes. It is also unclear what the impact from the Intact acquisition of RSA will mean for their respective professional liability teams.

# Insurer Financial Ratings

## CLLAS Canadian Excess Program

INSURANCE COMPANY		COUNTRY	BEST'S RATING	S&P RATING
LIBERTY INTERNATIONAL UNDERWRITERS CANADA, A DIVISION OF LIBERTY MUTUAL INSURANCE COMPANY		U.S.A.	A	BBB
TRAVELERS COMMERCIAL INSURANCE COMPANY OF CANADA		Canada	A++	AA
SOVEREIGN GENERAL INSURANCE COMPANY		Canada	A-	
NORTHBRIDGE COMMERCIAL INSURANCE CORP.		Canada	A	A-
ROYAL & SUN ALLIANCE INS CO OF CANADA		Canada	NR	A
QBE INSURANCE (INTERNATIONAL) LTD.		U.S.A.	A	A+
AXIS Reinsurance Company		Canada	A	A+
XL Specialty Insurance Company		U.S.A.	A+	AA-
ENCON GROUP INC. - Participants				
1	Continental Casualty Company	U.S.A.	A	A+
2.	XL/Catlin Reinsurance America Inc.	U.S.A.	A+	AA-
3.	Temple Insurance Company	Canada	A+	A+
4.	Aviva Insurance Company of Canada	Canada	A	AA-

Ratings reflect the most recent issue, update or change communicated by the rating agency. Effective dates on S&P interactive ratings above do not reflect affirmations. Ratings do not necessarily correspond to a specific data year. "Secure" scales are described below. Refer to A.M. Best's (Best's) and Standard and Poor's (S&P) definitions for details. Conversions to U.S. Dollars are subject to exchange rate differences. Sources of financial data (company accounts or regulatory returns) for non-US companies are indicated on the individual company reports

Best's Ratings		S&P Ratings	
A++, A+ Superior	Best's rating modifiers may be assigned based on group affiliation: (r=Reinsured, p=Pooled, or g=Group) FPR ratings range from 1-9, where 1=Poor and 9=Very Strong	AAA Extremely Strong	S & P Financial Strength ratings may be modified by the use of a "+" or "-" sign to show relative standing within a category. The "pi" indicates a "public information" rating. A "pos", "neg", or "dev" indicates a positive, negative, or developing CreditWatch implication
A, A- Excellent		AA Very Strong	
B++, B+ Very Good		A Strong	
U Under review		BBB Good	

# Insurer Financial Ratings

## CLLAS International Program

INSURANCE COMPANY	COUNTRY	BEST'S RATING	S&P RATING
CONTINENTAL CASUALTY COMPANY	U.S.A.	A	A+
AXA XL	U.S.A.	A+	AA-
BERKSHIRE	U.S.A.	A++	AA+
ASPEN RE	U.S.A.	A	A-
LLOYDS - IRONSHORE	UNITED KINGDOM	A	A



# Final Renewal Process

As in past years we will now proceed to renew the coverage for your firm based on the limits you currently purchase and based on the final headcount provided by you. We understand that you will be providing the final headcounts as soon as possible to AXXIMA who in turn will provide this information to us.

We would also recommend to those firms who do not currently purchase all of the layers of coverage offered that they should consider increasing the limits purchased.

If you would like to change the limits you purchase it would be appreciated if you could advise us as soon as possible.

In closing, we look forward to our continued association and working with each of you.