

Proposal to Provide Insurance Brokerage Services to

# Canadian Lawyers Liability Assurance Society

2020 Renewal Submission





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# Introduction

We have seen a dramatic change in the world-wide Lawyers professional Liability insurance market in the last 24 months since the 2018 renewal.

We have also seen some payments for the first time made by the Excess Insurers who provide coverage over the CLLAS primary program. We also have files with potential reserves.

I am pleased to confirm that all of the current excess insurers have agreed to renew their participation for a further year.

Overall we are seeing the Lawyers rates increase and with that we did finalize this program with an increase of 10% on the \$50,000,000 excess of \$50,000,000 layer and 7.5% on the next layer of \$60,000,000 excess of \$100,000,000.

We have seen rates decreasing on the CLLAS program since 2004 and the market has now come to the opinion that we now need to stabilize the situation to prudently move forward, they need more rate.

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 of the insurers remain strong and have an AM Best, or equivalent rating of A- or better.

I 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 2020, except we did a review of the wording on the \$60,000,000 excess of \$100,000,000 layer and made some cosmetic changes to the wording and a copy is attached. There were no changes to the coverage being provided.

\*Wording attached noting changes.

# Renewal Quotations

## CLLAS Canadian Excess Program

	Liberty Lead	Encon Lead
	\$50x50 (\$431)	\$60x\$100 (\$374)
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 \$298 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 \$546 per lawyer.

Note: The expiring rate on the layer of \$110,000,000 excess of \$50,000,000 is \$740.00 per lawyer vs. the renewal rate of \$805.00 per lawyer, which is an overall 8.05% increase

# Renewal Quotations

## CLLAS International

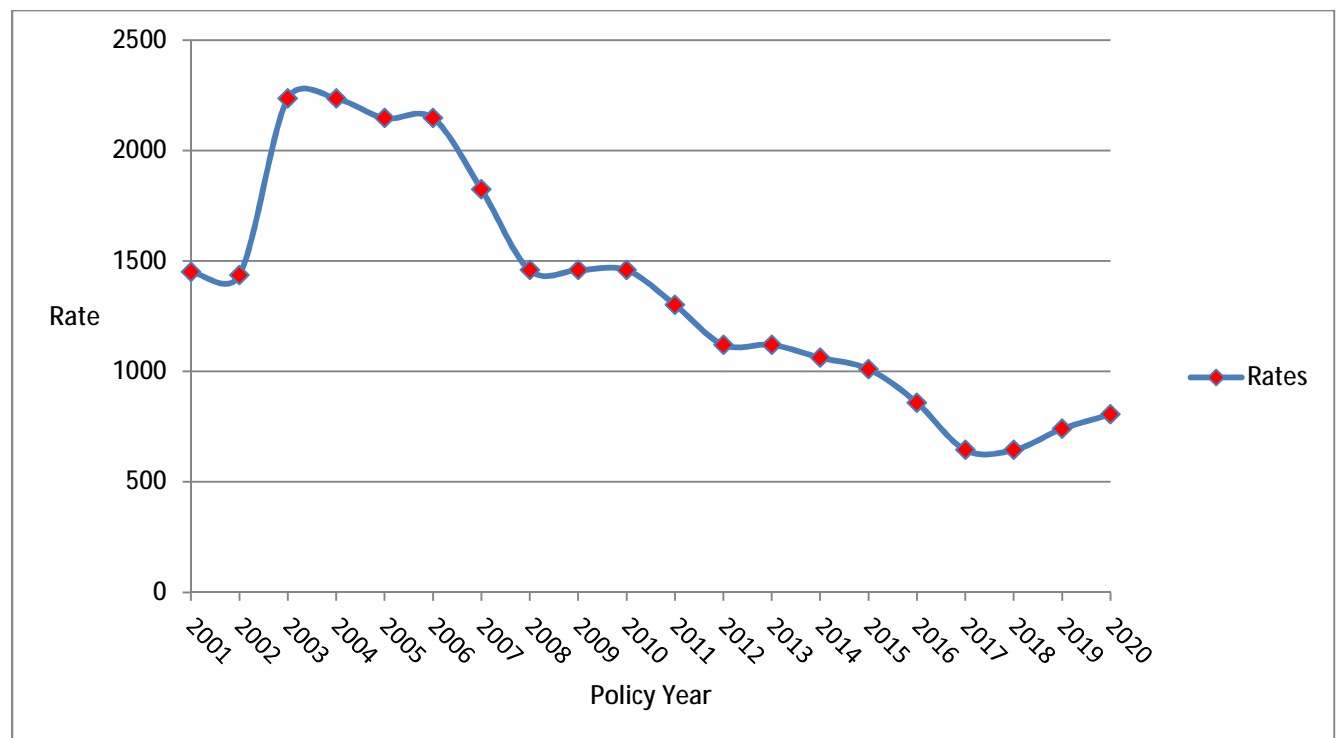
Insurer	Layer	Proposed Renewal
		<b>2020 - 2021</b>
CNA (25%)	US\$30,000,000 each claim and aggregate	15% Rate Increase or an Increased Retention with a 5% Rate Increase
AXA XL (16.50%)		
Berkshire (25%)		
Aspen Re (16.5%)		
Lloyds (17.00%)		

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







# State of the Market

The insurance industry has changed in the last 24 months, prior to the Covid-19 crisis. Insurance companies have been paying out more in claims and expenses than they have received in premiums from clients. Most insurers have suffered underwriting losses in 2018 and 2019. The negative results have prompted insurance companies to increase rates, reduce their appetite for new clients and reduce their capacity and coverage extensions.

There will be significant impact to insurance companies as a result of the Covid-19 pandemic. First, investment income has reduced by more than 30% in 2020 and it could take a few years for investments to recover. In addition, insurers anticipate significant claims related to Covid-19. Companies are making Covid-19 liability claims related to third parties contracting the virus at their premises. Companies are making Covid-19 employment claims related to layoffs. Companies are making Covid-19 directors' and officers' claims as a result of shareholder lawsuits alleging financial mismanagement in lieu of the pandemic. Companies are making Covid-19 business interruption claims for lost income as a direct result of the pandemic. Even if some of the claims are not covered by insurance, such as business interruption claims, insurers will have significant legal costs which will be reserved over the next year. The Covid-19 pandemic is extending the insurance hard market and we expect that it will make it more severe.

# 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	A
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 me as soon as possible.

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