

Market Bulletin

Industry Update for Insureds

Choices in a Changing Market

One of the challenges facing professional liability clients is the cyclical nature of the insurance industry. Pricing and coverage tend to flow through cycles, often referred to as “hard” and “soft” markets. After periods of premium increases and strict underwriting that define a hard market, it has been customary to see price softening and a relaxation in terms and conditions.

After 10 years of effective rate decreases and expanded coverage terms, insurance buyers have been most recently faced with one of the most difficult insurance markets on record. Insureds have experienced substantial premium hikes, a restrictive underwriting environment and a shortage of capacity or even availability in certain lines of business.

The good news is that it appears the worst may be over.

Today, there are healthy signs that balance is returning to the marketplace and rates are stabilizing in a broad range of industries and sectors. This is the case for some, but not all areas of the insurance industry. For many professional liability clients, premiums and rates are not likely to decline at all, due to unique exposures, persistent legal trends, and the long-term nature and severity of claims.

Your choice of insurance carrier is just as important in a soft market as it was in a challenging market. We encourage you to look beyond price. While clearly important, premiums represent just one part of the equation in a comprehensive insurance solution. Policy conditions, experience, reputation, stability, and longevity in the marketplace must also be considered with your broker when choosing an insurance program.

In the past, we have seen cut-rate competitors move into this line of business, offer unrealistic premium discounts and underestimate the long-term impact of claims. Too many insureds have been left without coverage at renewal when these companies became insolvent or decided to pull out of the marketplace. The primary cause of insurance company withdrawal has traditionally been underpricing, fuelled by the need to grow market share. This situation often happens with new entrants in specialized fields such as errors and omissions (E&O) and directors and officers (D&O) insurance. You should exercise caution if an insurance quote seems unreasonably low. As with all services in our economy, you often get precisely what you pay for.

Knowledge and Expertise

The specialists at ENCON are noted for their technical knowledge and expertise, as well as their commitment to delivering products and services that often go beyond client expectations. Along with this considerable industry knowledge, we are able to provide a stable market for clients by consistently offering value through the broadest coverage possible. We also support you throughout the entire insurance process – from specialized underwriting and customized coverage, to expert Canadian claims handling and cost-saving loss prevention.

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Professional Claims Service

The value of your insurance policy is measured when you file a claim – we will provide the experience, assistance and guidance you need throughout this process. At ENCON, a team of seasoned experts, including in-house claims analysts and a dedicated panel of legal counsel, will manage your claim effectively and efficiently. We also work with you to minimize exposures, monitor loss trends and foster prudent risk management strategies. As one of our clients, you may benefit from our timely Loss Control Bulletins or annual cross-country Loss Control Seminars – both of which are unique in the marketplace.

Strength and Stability

As an insurance management company, ENCON relies on a stable pool of top-rated global insurers to underwrite our coverage. Even through challenging market conditions, we have maintained consistent agreements with four select carriers: CNA Canada, Temple (Munich Re), XL Reinsurance America and Lloyd's. ENCON renewed a long-term agreement with these insurers, effective April 1, 2004. In structuring these multi-year agreements, we ensure that our clients have access to solid, reputable companies, with proven experience in these niche markets.

Carrier Ratings

Carrier	With ENCON Since	Rating by A.M. Best*	Financial Size Category
CNA	1994	A (excellent)	\$2 billion or more
XL Reinsurance America	1996	A+ (superior)	\$2 billion or more
Temple Insurance Company <i>(Member of Munich Re Group)</i>	1998	A (excellent) <i>(A+ superior)</i>	\$50 million – \$100 million <i>(\$2 billion or more)</i>
Lloyd's	1980	A- (excellent)	\$2 billion or more

*Source: A.M. Best Web site, www.ambest.com. Data accurate at date of printing.

Get Experience on Your Side

We encourage you to look beyond price. While clearly important, premiums represent just one part of the equation in a comprehensive insurance solution.

ENCON prides itself on being a proven, stable market of choice for our insurance clients – in both good times and bad. We are not a generalist insurance manager nor do we plan to become one. There is a certain reward and return in staying with what you know. For us, that means a specialized insurance provider for professional liability, directors and officers and construction risks.

Our track record of client service, knowledgeable advice, stability and professional claims handling speaks for itself. Speak to your broker about how you can get ENCON's experience on your side.

Be an Informed Buyer

For brokers and clients, a more competitive market offers more opportunities to shop around. Be an informed buyer. Your choice of carrier is just as important in a soft market as it was in a hard market. Here are some things to look for:

Stability of insurer: How long has the insurer underwritten professional liability insurance?

Underwriting philosophy: What is the level of specialization in the professional liability market? Is this one of many lines of business for a general insurer?

Coverage terms and conditions: Read the fine print. How much coverage are you getting for your premium? Are there certain underwriting restrictions in your insurance policy?

Claims handling approach: Does the company take a hands-on approach to claims handling or are claims outsourced to third parties? How long has the insurer handled professional liability claims?

Loss prevention and risk management expertise: Does the insurer offer loss prevention information, contract reviews, bulletins or regular updates on claims trends?



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