

# RISKINSIGHT

The BMS Risk Management and Liability Magazine for the Royal Architectural Institute of Canada



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Royal Architectural Institute of Canada  
Institut royal d'architecture du Canada

**bms.**

# RAIC: THE PROFESSION, YOUR PRACTICE, AND PROTECTION

Considerable challenges are facing architects in their professional practice, especially during these uncertain times. Despite the new unforeseen complications greeting professionals each day, the same obstacles that have long been in the profession remain.

These ever-present challenges were the catalyst to establish an insurance program that catered to the specific needs of architects across Canada.

Our organization is proud to partner with BMS Canada Risk Services (BMS) to offer the RAIC Insurance Program—which has been offered since 2018. In this issue, BMS delves into the full breadth of services offered in the program and highlights common questions architects may have about their insurance policy and plan.

In addition to the traditional risks associated with running a firm or a job site, the continued importance of technology in a successful professional practice opens new avenues where an architect can be at risk. Cybersecurity and digital literacy are vital to understanding rapidly evolving technology and our interconnected online world. Understanding the basics of cybersecurity, common instances of cyber-fraud, and how you can protect your professional practice are investigated in "The Cyber Risk Landscape is Evolving – Are you Covered?"

Opening or expanding an architectural firm can be both an exciting and stressful time. There is a considerable amount to do and it is important to make sure that nothing falls through the cracks when growing your professional practice. "Opening, Operating, or Expanding your Firm? This could be one of the most important checklists you review," provides an expansive checklist of insurance-centric issues that architecture and design professionals should keep in mind as their business grows.

We continue to invite feedback from our members—and the larger architectural community—on all programs and initiatives offered by the RAIC. We aim for publications—such as this one—to inform and support architects and the built environment across Canada during these unprecedented and challenging times.



**Mike Brennan**  
Chief Executive Officer  
RAIC

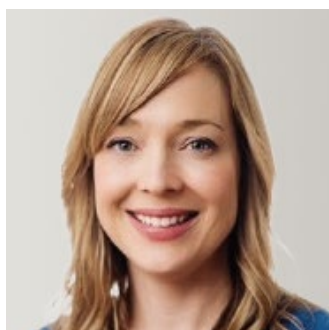


**Brian Gomes,**  
Chief Executive Officer,  
BMS Canada Risk Services Ltd.  
Head of Global Affinity

BMS Canada Risk Services Ltd. (BMS) is the broker for the RAIC Insurance Program.

BMS's Canadian office also acts as the headquarters for BMS Global Affinity and was established in 2012 to create and deliver member-centric insurance programs to associations. BMS's approach is focused on providing specialist service from knowledgeable brokers, comprehensive and competitive coverage, industry-specific risk management, and access to additional value-added services.

Collectively, the BMS teams in Canada, Australia, and Spain provide coverage and additional services to more than 600,000 regulated professionals globally through 70+ associations.



**Maggie Green,**  
Managing Director, Global  
Affinity, BMS Canada Risk  
Services Ltd

As the exclusive broker and provider of professional liability and business risk insurance to RAIC members, BMS is committed to delivering the best the international and domestic insurance markets have to offer. For more information, please visit [www.bmsgroup.com/canada](http://www.bmsgroup.com/canada).



**Olivia Reed,**  
Director, Global Affinity, BMS  
Canada Risk Services Ltd

## Helpful Contacts

You don't have to do this on your own. The RAIC's insurance program partners are here to help.

To report a:

**Professional Liability/Business Professional Liability/  
Commercial General Liability/Cyber claim/Property or  
Business Interruption claim:**

Contact BMS at



**1-844-294-2714**



**[raic.insurance@bmsgroup.com](mailto:raic.insurance@bmsgroup.com)**

**bms.**

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The RAIC works closely with its broker, BMS Canada Risk Services (BMS) to deliver comprehensive and cost-effective member insurance program. Coverages include:

- ◆ Professional Liability
- ◆ Commercial General Liability
- ◆ Business Insurance
- ◆ Directors' and Officers' Liability
- ◆ Cyber Security and Privacy Liability
- ◆ Employment Practices Liability

## Why BMS?

The RAIC is committed to continuously enhancing value for our members. The RAIC Insurance program in partnership with BMS enables members to access comprehensive coverage, industry-specific risk management, and responsive service from BMS's knowledgeable team of brokers. This is particularly important as architects experience changes in the regulatory environment in relation to professional liability insurance requirements.

**Did you know?** Professional liability insurance is already required for architects in practice across much of Canada. The only province where professional liability insurance is not yet mandatory is Alberta.

Through the RAIC, Architects can easily access competitively priced and tailored professional liability coverage.

Beyond the insurance purchase, this magazine is just one example of the evidence-based practice risk resources that will be developed in partnership with the RAIC. This data-driven material will help to reduce practice risk by affording members greater insight into current and emerging trends for the profession across Canada.

Ensuring members receive the highest standard of service is also paramount. BMS has received national recognition, winning the Insurance Business Award for "Outstanding Customer Service by a Brokerage" and named as one of the "Top Brokerages 2020" by Insurance Business Canada.

## RAIC members can expect the following:

- ◆ 1-3 day turnaround time on quotes
- ◆ Free consultation and policy comparison
- ◆ Unique insurance products with competitive pricing
- ◆ Dedicated toll-free number and email address to communicate directly with BMS's team of specialist brokers
- ◆ BMS to always work with leading insurers that specialize in this segment

Contact BMS at **1-844-294-2714** or email [raic.insurance@bmsgroup.com](mailto:raic.insurance@bmsgroup.com) to secure coverage today.



# STRENGTH IN NUMBERS: BREAKING DOWN THE BARRIERS OF A CHANGING MARKET

For months, well before the COVID-19 pandemic, insurance publications and industry leaders have been communicating a shift in market conditions. This is particularly important to classes of professionals such as Architects and Engineers, who are often experiencing the impact of this change and subsequent increase in costs and implications on coverage across Canada and elsewhere.

When Reactions Magazine asked why there has been pricing increases across almost all insurance product lines in the past 12 months, the President, North American Casualty Division for Allied World Insurance Company said that the pricing uptick has been driven by the desire to survive and be sustainable. A confluence of several factors has created these conditions, including a decade of pricing that has not kept pace with inflation, increased natural disasters and higher jury awards, among others. As a result, many industry experts have summarized this charge as a shift from a historical soft or a hardening market.

For some, this market change is resulting in increases to the cost of their liability insurance (professional liability as well as commercial general liability/property), while others have found themselves unable to access specific pieces of insurance coverage that were historically readily available. As one of Canada's only Architect-dedicated insurance programs, tailored and exclusive to RAIC members, collective scale and volume is an invaluable asset to shield these external conditions and maintain leading cost-effective and comprehensive liability insurance solutions.

Essentially, the insurance products available to RAIC members remain strong and sustainable, attracting new participants more than ever before who have been experiencing a spike in insurance costs elsewhere. Importantly, RAIC continues to work closely with its insurance providers to ensure that the products keep evolving, anticipating and adapting to market changes as they occur, while ensuring valuable industry-leading solutions to architects across Canada.

While insurance exists to pay claims, when there is a continual increase in the frequency and severity of losses, insurance companies may choose or be forced into reducing capacity or stop

writing a particular class of business altogether. The International Risk Management Institute (IRMI) recently published a blog post about the state of the market. "Once upon a time, the insurance market cycled from hard to soft and back to hard again in a pattern that was reasonably predictable—about every 5 to 7 years. For the past 25 years or so, however, there has been no discernible pattern, and soft, or buyers', markets typically last much longer than hard, or sellers', markets. We recently entered a hard market for most commercial lines of insurance, characterized by significant increases in rates and reductions of coverage with much tighter scrutiny by underwriters."

This is what's happening across the Architecture, Engineering, and Construction risks sector in almost every market around the world. In the past 18 months, several insurance companies have ceased operating in this space altogether due to increasingly poor performance.

RAIC membership and being part of this industry association program is more valuable than ever before. Having a specialist broker working on your behalf, such as through the RAIC Insurance Program, means that you have access to comprehensive coverage that is tailored to your specific needs as an Architect at a competitive rate. RAIC's Insurance Broker, BMS, works with several specialists in both Lloyd's and Canadian Insurers to provide RAIC members with unparalleled access to leading insurance solutions, ensuring the program isn't impacted by changes in a specific market. Participating members always have the security and support of experienced providers working on their behalf, including ahead of each annual renewal, during a claim, and on a day-to-day basis.

Underwriters take into account several factors when considering and rating specific risk profiles. This includes past claims, industry experience, types of projects, professional discipline(s) and specialization(s), locations, gross fees, and any international operations, to name a few. The more information that can be provided to your broker, the better. In addition to your individual and business activities and projects, your RAIC membership is also noted.

## Moving forward, how can you continue to reduce your risk, and potentially your premium?

Leveraging scale and implementing quality control are incredibly important. Demonstrating an ongoing commitment to risk mitigation is highly regarded by insurers. Architects are strongly encouraged to focus on projects within their specialization and resource adequately when extending beyond these. Continuing your membership also ensures you have access to the RAIC Insurance Program, which continues to grow year-over-year with new Architects and firms from across Canada taking advantage of this exclusive benefit. This is a testament to the ability to leverage scale and experience to deliver cost-effective and comprehensive solutions for Architects throughout the country. Whether you are a current policyholder in the RAIC Insurance Program, or not, we encourage you to stay engaged and utilize RAIC and its program partners to stay protected and keep you one step ahead.

### References:

[www.irmi.com](http://www.irmi.com)

[Engineering & Construction claims and insurance trends](#)

Reactions Magazine, January 2020





# THE CYBER RISK LANDSCAPE IS EVOLVING – ARE YOU COVERED?



Architects and professionals of every industry rely on technology. This has been the case for some time. However, the COVID-19 pandemic has seen utilization of technology significantly increase and with this, comes additional exposures and risks concerning Cyber Liability. Insurers are already reporting a spike in cyber insurance claims as hackers aggressively move to exploit the security vulnerabilities created by the mass shift to remote working that the pandemic has necessitated. Coronavirus-related topics used in ransomware, social engineering and other cyberattacks are also enticing people to click on links or give up information that they shouldn't.

(ref: [Cyber Insurance Demand Heats Up As COVID-19 Hacks Rise](#))

Imagine—you receive an email from what appears to be your Managing Principal about a payment required for an upcoming client event. The information provided aligns with what you have arranged and the email states the transfer is required immediately. You proceed as instructed. This has just resulted in the transfer of \$45,000 to an overseas account held by a third party. When your company finally becomes aware of the breach, you are only able to recover \$3,400 of the stolen funds.

Fraudulent Instruction is the transfer of funds by an employee to a third party as a result of deceptive information provided by a criminal purporting to be someone else, typically a vendor, client, or authorized employee.

These social engineering scams have targeted businesses of all sizes across every industry and are increasing in frequency and sophistication.

Even at the best-managed companies, employees can still fall victim to these fraud attempts which usually emphasize the time pressure and confidential nature of the transaction.

Ultimately, if these are successful, it is often too late to undo all of their costly implications.

## Tips to help spot a fraudulent instruction

- ♦ The sender claims to be travelling and available only by email;
- ♦ The sender claims to need the information urgently;
- ♦ The request is formatted to look like it's sent from a mobile device in order to make it harder for you to recognize that something is off;
- ♦ The sender's email address will be similar to your CEO/CFO's – often off by only a character or two. For example: CEO@company.xyz.com vs. CEO@companyxyz.com
- ♦ It's important for all businesses to be aware of the expanding exposure and to prepare and protect through a variety of defences.

## Dual Authorization

A method by which third party payments must be authorized by two personnel from the same business, providing an additional level of security.

## External Email Tagging

A means by which incoming email from outside the organisation are tagged "EXTERNAL" (or otherwise), to prevent deception.

## Anti-Virus Software

All anti-virus software and firewalls should be constantly updated to defend against the evolving nature of fraud practices and to block incoming specious traffic where possible.

## Security Awareness Training

All employees, particularly those with an increased risk of being targeted, should be kept aware of developing exposures via a security training program, inclusive of fraud detection practices.

## Case Studies

A law firm representing a client at a real estate closing was to receive a wire transfer of \$250,000 representing the sale proceeds. Prior to this, the paralegal's email had been hacked and emails were sent impersonating the client requesting a change of account details. By the time the fraud had been detected, the funds had been removed from the overseas account.

An employee at Technology Company in Massachusetts received an email, from what appeared to be the CEO, regarding an acquisition that needed to remain confidential and be urgently executed. This resulted in the transfer of \$40,000 to an overseas account held by a third party. When the company finally became aware of the breach, they were only able to recover \$8,100 of the stolen funds.

### [Beazley Breach Insights - Understanding fraudulent instruction](#)

More broadly, cyber and ransomware attacks are rapidly increasing across Canada and globally, disabling computer systems of businesses, municipalities and non-profits, and causing significant associated costs to recover from attacks. It is also one of the biggest concerns for businesses of all sizes in 2020. Since 2014, Beazley, a specialist Lloyd's insurer offering leading Cyber Breach Response Insurance coverage, has seen an exponential rise in ransomware attacks jumping from 11 in 2014 to 336 in 2018 and now to 775 in 2019. Between Q2 and Q3 2019, there was a 37% increase in the number of ransomware incidents with that trend peaking in the fourth quarter.

While the frequency of these attacks is on the rise, so is the severity and disruption caused by these breaches. With the rise in the number of attacks, sums that are being demanded by cybercriminals have also expanded exponentially, with seven or even eight-figure demands not being unusual.

More than 50% of impacted businesses in Canada reported that cybersecurity incidents prevented employees from carrying out day-to-day work, while close to one-third experienced additional repair or recovery costs.

Only 5% of Canadian businesses reported not having any cybersecurity measures to protect themselves, their customers and their partners.

### [Cyber security and cybercrime challenges of Canadian businesses, 2017](#)



## The role of cyber insurance

The aim is to provide policyholders with the best infrastructure to protect them and help them achieve their main objectives to mitigate risk and get their businesses back online. Beazley has seen a rise in indiscriminate attacks that are growing in technical sophistication.

The Beazley Cyber Security & Privacy Liability insurance provides a lifeline to insureds through having access to a network of experts and business interruption and cyber extortion coverages.

Ultimately, while the frequency of these attacks and severity and disruption caused by breaches is on the rise, Beazley is committed to delivering on our promises to help our insureds in their time of need.

## Cyber Security & Privacy Liability

RAIC Members have access to Beazley's Cyber Security & Privacy Liability, providing comprehensive coverage and support from experts, including legal and forensics.

Premiums start at \$98 for individuals, and \$575 for businesses.

Contact BMS today to find out more and secure coverage.



Coverage	
Policy Aggregate Limit	\$1,000,000
<b>But sub limited to:</b>	
Regulatory Defence and Penalties	\$250,000
PCI Fines, Expenses and Costs	\$100,000 (if PCI compliant)
Cyber Extortion	\$100,000
Data Protection Loss	\$100,000
<b>Business Interruption Loss</b>	\$100,000
Forensic Expenses sublimit:	\$25,000
Dependent Business sublimit:	\$10,000
Aggregate Limit for all Computer Expert Services, Legal Services and Public Relations and Crisis Management Expenses combined	\$250,000 (in addition to Policy Aggregate Limit)
Notified Individuals	100,000 Notified Individuals in the aggregate (Business Cyber);  5,000 Notified Individuals in the aggregate (Individual Cyber)
Each Claim Retention	\$1,000
Privacy Breach Response Services:	
1. Notification Services, Call Center Services, and Breach Resolution and Individuals Mitigation Services for each incident involving at least	100 Notified
2. Computer Expert Services, Legal Services and Public combined Relations and Crisis Management Expenses	\$1,000
Each Extortion Threat	\$1,000
Each Security Breach	\$1,000
Waiting Period	8 hours

# OPENING, OPERATING, OR EXPANDING YOUR FIRM? THIS COULD BE ONE OF THE MOST IMPORTANT CHECKLISTS YOU REVIEW.

Risks to architecture firms are as diverse as the businesses themselves. Whether you are opening a firm for the first time, or already up and running, it's important to check that you and your business are covered.

There are many different insurance products out there, and it is sometimes difficult to figure out what coverage you need—and just as importantly, what coverage you don't.

The table below helps to identify the most appropriate coverage(s) for your practice circumstances. While we've tried to make this table as comprehensive as possible, it provides an outline of common practice scenarios only and may not include all possible professional and business structures.

We recommend that you use this table as an initial framework for decision-making. It does not replace individualized broker advice so please speak with an insurance professional at BMS if you have questions about the most appropriate coverage for your specific practice circumstances.

Employee	Independent Contractor / Sole Proprietor	Business Owner
<p><b>Consider:</b></p> <ul style="list-style-type: none"> <li>✓ Professional Liability Insurance (PLI)</li> <li>✓ Standalone Cyber Security &amp; Privacy Liability with Breach Response Services</li> </ul>	<p><i>Do you have valuable contents and/or equipment?</i></p> <p><b>YES – Consider:</b></p> <ul style="list-style-type: none"> <li>✓ Professional Liability Insurance (PLI)</li> <li>✓ Business Package (with Building Coverage if you own the building where you operate)</li> <li>✓ Products Liability</li> <li>✓ Employment Practices Liability</li> <li>✓ Cyber Security &amp; Privacy Insurance (extension or standalone)</li> <li>✓ Builder's Risk and Wrap-Up Insurance</li> <li>✓ Directors' and Officers' Liability</li> </ul> <p><b>NO – Consider:</b></p> <ul style="list-style-type: none"> <li>✓ Professional Liability Insurance (PLI)</li> <li>✓ Commercial General Liability Insurance (CGL)</li> <li>✓ Cyber Security &amp; Privacy Insurance</li> <li>✓ Commercial Automobile insurance</li> </ul>	<p><i>Do you oversee sub-trades or project management, or design products?</i></p> <p><b>YES, some of the following may be applicable – Consider:</b></p> <ul style="list-style-type: none"> <li>✓ Professional Liability Insurance (PLI)</li> <li>✓ Business Package (with Building Coverage if you own the building where you operate)</li> <li>✓ Equipment floater (part of Business package)</li> <li>✓ Products Liability</li> <li>✓ Employment Practices Liability</li> <li>✓ Cyber Security &amp; Privacy Insurance (extension or standalone)</li> <li>✓ Builder's Risk and Wrap-Up Insurance</li> <li>✓ Directors' and Officers' Liability</li> </ul> <p><b>No– Consider:</b></p> <ul style="list-style-type: none"> <li>✓ Professional Liability Insurance (PLI)</li> <li>✓ Business Package (with Building Coverage if you own the building where you operate)</li> <li>✓ Employment Practices Liability</li> <li>✓ Cyber Security &amp; Privacy Insurance (extension or standalone)</li> <li>✓ Directors' and Officers' Liability Insurance</li> </ul>

**Continue reading to find out more about some of the highlighted products. Alternatively, contact a Broker at BMS to discuss your circumstance and recommended coverages.**

### **Professional Liability Insurance (PLI):**

This policy protects you if you are being sued for injury or damages that have resulted from a negligent act, error, omission, or malpractice that has arisen out of your professional capacity as an architect. Your legal defence will be paid for by the insurance company to the limits of your policy— even in circumstances where you are found to be at fault. If damages or client compensation are awarded by the court, your PLI policy covers this too. Your policy will also offer coverage for legal costs if a complaint is made against you to your provincial or territorial regulatory body.

### **Commercial General Liability Insurance (CGL):**

This policy protects you against claims arising from injury or property damage that you (or your business, including your staff) may cause to another person as a result of your operations, on-site visits, and/or premises. For example, a client comes into your office for an appointment on a wet, snowy day. When heading to the reception, she slips and falls on the wet floor, breaking her arm. The client may look to hold you (as the business owner) or your business responsible for her injury. CGL is often referred to as "slip and fall" insurance because this is such a common example of injury to a third party as a result of your premises.

Because business owners generally have other insurance needs associated with physical office space and its contents, CGL coverage often comes bundled in a packaged product, the Business Package.

### **Cyber Security & Privacy Liability Insurance:**

This policy protects you if you or your business has been involved in a cyber breach or privacy violation. It will cover the costs of your legal defence, investigative costs, notification and response costs, costs awarded to the client(s) affected by the breach/violation, and more.

Cybersecurity and privacy liability is one of the fastest-growing areas of risk for professionals and architects and architectural firms are not immune. Anyone who maintains or transmits client information electronically is vulnerable to a cyber breach. This breach can range from a minor occurrence, such as a colleague accessing information on your computer,

### **Business Professional Liability Insurance:**

This policy responds if your business name is brought into a statement of claim or lawsuit alleging negligence. Following an incident, a client's legal counsel will commonly name all parties involved in a project, including the architectural firm(s). A business PLI policy protects your business assets in these circumstances and covers your legal fees to defend you against allegations.

### **Business Package: (with or without Building Coverage)**

This policy includes CGL, Property, Crime, and Business Interruption coverage and is designed for business owners and independent contractors with valuable content.

In addition to the CGL coverage described above, the Business Package includes coverage to protect your business and the contents within from losses associated with property damage (such as a fire) and crime. Property Coverage insurance protects against damage to property, including professional equipment, and loss of revenues caused by an interruption of business activities arising from an insured loss. Crime Coverage insurance protects against financial loss due to dishonesty, fraud, or theft of money, securities or other property owned by the business/office.

Architect business owners who own the building in which their office is located can also add Building Coverage to their policy. This insures the bricks and mortar of your property, protecting you against loss or damage from a broad range of causes, including natural disasters and other threats to business operations, such as vandalism.

to the theft of thousands of client or project records. While some breaches derive from external hackers using phishing scams or ransomware attacks, they can also result from system glitches, or even from simple carelessness or human error.

With consequences ranging from investigation and prosecution at the provincial level, professional regulatory disciplinary action, fines, and lawsuits, a cybersecurity or privacy violation can have a significant impact on your reputation, career, and livelihood.



## Employment Practices Liability (EPL)

Architect business owners who employ staff and/or engage volunteers, students or contractors will also want to consider EPL insurance. This policy protects you and your business against allegations of employment practice violation, including wrongful termination, discrimination, workplace harassment, and others.

Your decisions about hiring, compensation, promotions, accommodating disabilities, and terminations, for instance, impact the individuals working in your business environment. Any of these decisions could lead to a claim for a wrongful employment practice even if handled correctly. For example, following the promotion of one of your reception staff to the position of office manager, you are sued by another staff member. Your employee is alleging age discrimination and failure to promote because the office manager position was filled by a younger, less qualified person. Your EPL policy would cover the costs of your legal defence and any compensation paid to the employee who brought the suit forward.

The EPL policy available through the RAIC Insurance program has been designed with Architects and professionals in mind. We understand that business environments vary; with professional staff, non-professional staff, students, volunteers, contractors, and any combination thereof. That's why your EPL policy will protect you, your business, and your employees against allegations made by any of these individuals.

## Directors' and Officers' Liability Insurance

This coverage responds when any error, omission, misleading statement, neglect, breach of duty, employment practice violation or wrongful act, such as discrimination or harassment, is alleged against any person acting in their capacity as a representative of the business/firm.

There you have it. That is probably more than you ever wanted to know about insurance coverage for you and your business. For more information or if you have more questions about professional liability and business insurance protection, contact a broker at BMS – we're here to help.



**1-844-294-2714**



**[raic.insurance@bmsgroup.com](mailto:raic.insurance@bmsgroup.com)**



## RAIC INSURANCE PROGRAM

The RAIC Insurance Program is available to members of the Royal Architectural Institute of Canada (RAIC)\*. You can purchase coverage any time.

To download the insurance applications visit [www.raic.org](http://www.raic.org)

If you have questions about which coverage is best for you, please call a dedicated BMS representative at 1-844-294-2714, or email us at [raic.insurance@bmsgroup.com](mailto:raic.insurance@bmsgroup.com).

\*Excludes Ontario and Quebec where insurance is available through the provincial regulator.

Do you have expertise to contribute? If you wish to have your architect-related risk or liability article published in RISKinSIGHT, please contact BMS at [raic.insurance@bmsgroup.com](mailto:raic.insurance@bmsgroup.com)



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