



What you need to know about...
...buying professional indemnity insurance



Call us Mon-Fri 9am-6pm

0345 251 4000

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Professional indemnity insurance (PI) will protect you against claims for loss or damage made against you by clients or third parties as a result of negligent services or advice you provided.

As today's business environment is much more litigious than it used to be, even the most established businesses can find themselves in a reputation-damaging dispute with a client over a mistake.

Claims can still be brought against you even if you do not accept you have been negligent or if you provided your service free of charge.

PI claims range in size from relatively small amounts to £ tens of millions.

The UK professional indemnity market is worth around £ 2.5 billion in premium income.

The internet has now made this class of insurance very accessible and affordable. An estimated 250,000 SMEs now purchase PI insurance online.

What Does It Cover?

Here is a list of some of the risks which may be covered by a professional indemnity policy:

- Negligent act, error or omission
- Dishonesty and fraud
- Accidental infringe on intellectual property
- Loss of documents or data
- Unintentional defamation (libel and slander)

Professional indemnity insurance will also pay the legal costs incurred in the defence and settlement of claims.

Claims Made Wording

Professional indemnity cover is usually offered on a claims-made basis. This means that your insurer will only cover you for claims that are brought against you DURING the term of your policy. If a claim is made against you after your policy has expired – even if the incident occurred while your policy was in place – you will not be covered for that claim.

For example, if an incident occurred in 2014 when you had professional indemnity cover, but the client brings a claim against you in 2015 – after your policy has expired – you will not be insured for that claim. A policy must always be in force for a claim to be met by an insurer.

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Some Examples of Professional Indemnity Claims

Any profession or occupation providing a service or advice can make a costly mistake. We've selected just a few examples.

Occupation	Circumstances	Amount of Claim
Software Designers	It was alleged that there were substantial deficiencies in the design of a software package resulting in the system failing to meet the client's requirements.	£800,000
IT Freelancer	The client alleged that substantial deficiencies in a computer software system did not allow it to be successfully implemented.	£200,000
Graphic Designers	A text book drawing was adapted to use as a logo and they were sued for breach of copyright.	£4,000
Actuary	They used incorrect tables for an annuity scheme which led to over payments.	£1,300,000
Conference Organiser	The insured was negligent in the organisation of a conference. As a result the event proved to be a total failure.	£29,000

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Who Needs It?

There are currently over 500 different occupations buying this insurance. Any individual or business providing advice or professional services should seriously consider taking out PI insurance. A few examples are shown below:

- Business Advisers
- Freelancers
- Management Consultants
- PR Consultants
- IT Consultants
- Graphic Designers
- Web Designers
- HR Consultants
- Copywriters and Writers
- Translators & Interpreters
- Engineers
- Accountants
- Health and Safety Consultants

Many professions such as solicitors, architects, accountants, financial advisers, surveyors are required to have PI insurance as a regulatory requirement.

How Much Does It Cost?

There are over 70 insurance companies providing this insurance cover in the UK so it's a highly competitive market.

Professional indemnity insurance premiums will vary significantly between these companies. What is more relevant though is that premiums vary significantly between occupations. In other words a web marketing specialist will pay a very different premium to a solicitor as they are very different risks.

Annual premiums online start as low as £ 50.00 for an occupation considered low-risk.

Please call us on 0345 251 4000 for further advice or for a quotation.

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