



R G FORD
INSURANCE BROKERS LIMITED



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Professional Indemnity Insurance

Are you covered?



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09-874

As a business involved in imparting knowledge or skill, you should have Professional Indemnity Insurance.

Professional Indemnity Insurance (PI) provides indemnity (or compensation) against loss arising from claims made by unsatisfied clients. PI cover protects you by providing funds for the cost of defence against claims that there has been a breach of duty whilst acting in a professional capacity.

PI FOR ADVICE-BASED COMPANIES

PI has been developed from the change in working patterns from manufacturing to services. These services often involve the professional giving advice on a specialist subject such as marketing, interior design or accountancy.

Businesses involved in this type of advice-based service can be exposed to claims of professional liability.

TWO TYPES OF PROFESSIONAL LIABILITY

There are two different types of professional liability which can be breached:

Contractual duty

The relationship between the professional and the client is often one of contract. This means that there is a contractual duty on the professional to perform services to the best interests of the client. Most PI claims are bought under contractual breach.

Tort

Tort often involves negligence, infringing intellectual property, loss of documents or data and dishonesty. Tort is often described as a civil wrong which gives rise to action for damages.

OUTLINE OF PI CLAIMS

A claim on PI is likely to result in a client claiming compensation for:

- Injury
- Damage
- Financial loss

This can cause a large financial drain, not to mention damage to professional reputation.

For a claim to be successful, it must be demonstrated that the professional has departed from the accepted standard of their profession. However, even when a professional can successfully defend a claim, they still may incur a financial loss.

CLAIMS EXAMPLE:

Architects are increasingly seeing claims against them, because they act between the client and the contractor carrying out the work. This often means a fine line in whose responsibility it is to check the design of specific items such as curtains and flooring.

One example of a recent claim includes a food supplier whose factory burned down after a fire started in a frying room. The food supplier took the architect to court for claims of negligence, for not specifying to the contractor that fire resistant panels must be used in the room.

The architect appealed an initial verdict that found them solely responsible and liability was apportioned between the two parties. Two-thirds of the claim was subsequently charged to the food supplier, as they had failed to arrange installation of fire resistant panels once they had realised the mistake.

PI insurance covered the legal expenses and damages in this case.

PROFESSIONAL INDEPENDENT ADVICE

RG Ford has experience of advising businesses on types of Legal Expenses cover and we are happy to discuss these questions with you.

We can help you gain a full picture of the risks involved and which specific type of insurance you may need for your business.



To find out how RG Ford can help call us now on
01245 251251