

# **What Is Professional Indemnity Insurance?**

## A simple guide to professional indemnity insurance

### **Who needs it?**

Anybody that gives advice as part of their business needs professional indemnity insurance, such as accountants, building surveyors, architects, solicitors, doctors, dentists, insurance brokers, web designers, quantity surveyors, management consultants, estate agents, project managers and IT consultants.

This is because if their advice is negligent and causes a financial loss, damage to property or personal injury to a third party (someone not connected with their business, such as a customer) then it is likely they will be sued.

A professional indemnity insurance policy (sometimes described as PI insurance or PII insurance) will pay compensation and defence legal costs.

A professional indemnity insurance policy may also cover you for libel and slander, professional neglect, malicious falsehood, passing off copyrights, breach of confidentiality and other negligent statements and actions.

For some professions, it is an obligation of membership of a professional body (such as chartered surveyors with RICS and chartered accountants with ICAEW). It may also be obligatory to hold professional indemnity insurance to fulfill a contract. Generally though, it is a voluntary insurance policy to buy.

### **Why should I buy it?**

Think of the biggest mistake you can make. A surveyor may over value a house. An insurance broker may forget to insure a car. An IT consultant might destroy a database. Sadly, a doctor or dentist may cause a death. Think of the most compensation that could be paid out - add to this substantial legal costs to cover solicitors, barristers and court costs. Multiply this by several mistakes in a year. It has been known for an individual client to make over 200 claims in one year! If you are able to comfortably pay this out of your savings and investments, then maybe you don't need professional indemnity insurance. For everybody else...

You may think that you can "hide" behind a limited company and simply "go bankrupt" should the worst happen. Think again - professionals are PERSONALLY liable for their actions and it has been known for "ordinary" employees to be individually sued when it has transpired that their employer

has no money and does not hold professional indemnity insurance.

## **How much does professional indemnity insurance cost?**

Ah - the burning question! This type of insurance cover is usually only available from specialist insurance companies and insurance brokers. Some professions have special schemes from their particular professional body and we would always suggest this as your first "port of call" to see if they have one or have an approved insurer.

Next, seek out some comparison quotations. There are several insurance brokers that offer "instant quote and buy" websites. These are probably not suitable for bigger businesses or those that have unusual requirements.

Although some insurers and brokers will take information over the phone, don't be surprised to be asked to fill in a proposal form. The good news is though, is that most insurance companies will accept other companies forms, so you can send the same form to many different places.

Lastly, if you run a big business, or do something a bit different to normal, you may have to wait a few days for your insurance quotation. This is because, unlike car, travel or house insurance, professional indemnity insurance premiums are often assessed on an individual basis.

One thing is certain - your car or house insurer or bank almost certainly will NOT offer professional indemnity insurance. Please see our resource below for ideas.

## **Insurance Companies**

- Carers - [Morton Michel Ltd](#)
- Comparison website for small businesses - [Versatile Insurance Professionals Ltd](#)
- Education Consultants - [Blackfriars Insurance Consultants Ltd](#)
- Fire Safety - [Pro-Visions Insurance Services Ltd](#)
- Photographers and Video Makers - [Aaduki Multimedia Insurance](#)
- Solicitors - [Zurich Professional & Financial Lines](#)
- Surveyors and Architects - [Anchorman Insurance Consultants Ltd](#)