



A GUIDE TO
**Professional
Indemnity
Insurance
Claims**

PI|IB 



The obligation to notify claims AND potential claims (circumstances) can be quite demanding. The onus is on you to ensure that all such matters are notified in line with your policy terms and conditions. It is important that the policy terms and conditions are fully complied with when a claim or potential claim occurs, to avoid problems with policy cover.

We appreciate that not everyone is fully familiar with the terms and conditions of their PI policy and so this Claims Guide is designed to provide some assistance. We recommend that the guide is circulated to all partners, directors and senior managers.

When You Should Notify

You should notify us immediately you become aware of a claim or a circumstance which may give rise to a claim. Notification must be made irrespective of your views on liability or on the amount involved.

PI policy wordings are very strict on the time allowed in which to make a notification from the date of first awareness and so it needs to be done without delay. Failure to notify within the period specified by the policy may leave you uninsured.

We have a wealth of experience in dealing with these matters, so if you have any doubts as to whether something should be notified, please contact us immediately.

As a general rule, if you have to ask yourself whether a matter should be reported or not, then it probably should be.

Information You Should Provide

The following information should be submitted as part of your formal notification:

- Copies of any correspondence received which may be emails, letters, file notes or any legal documents such as a Writ.
- The date of your first awareness.
- The identity of the potential claimant and any other parties involved.
- A brief outline of the problem and your views on your liability.
- An indication of the potential financial value of the claim.

Who You Should Notify

All new claims and circumstances (please see description below) should in the first instance be notified to your usual contact at Professional Indemnity Insurance Brokers preferably by email or by calling us on 0345 251 4000. We will then notify your PI Insurer.



What You Must NOT Do Without Your Insurers Permission

Once you are aware of the claim or circumstance, there are certain rules you must follow to avoid a potential breach of your policy terms and conditions.

Do not admit liability.

Do not take any action which could prejudice your Insurers position or their ability to investigate the claim or circumstance.

Do not enter into correspondence with the claimant without your Insurers permission – they must approve all correspondence before it's released.

Do not settle or offer to settle.

Do not disclose your Insurers involvement or details of your PI insurance.



Claim Or Circumstance, What's the Difference?

It's usually quite easy to identify when someone is making a claim against you as there will normally be a clear indication from a claimant or their lawyers of their intention to claim compensation.

Identifying a 'circumstance' which should be notified to your insurer is not always as straightforward but is just as important. This could begin as a dispute over your fee or perhaps a complaint which doesn't actually mention a claim.

Or perhaps you discover that part of your work may fail to meet the standard required and could cause your client a financial loss, even though they are unaware of the problem. Whatever the circumstances, you should notify your PI insurer immediately.

Circumstances 'Likely' Or 'That May Give Rise To' A Claim

Professional indemnity policy wordings will either require the notification of circumstances 'likely' or 'may give rise to' a claim. The two are very different and it's important to understand the difference between the two.

Use of the words 'may give rise to' places a stronger emphasis on the obligation to notify compared to 'likely to give rise to'. This increases the notification obligation, and generally results in more matters being lodged but can also help in identifying problems earlier.

'Likely to give rise to' on the other hand, is accepted as being an issue with greater than a 50% chance of giving rise to a claim. Notification of matters 'likely' to give rise to claim is therefore less onerous for the Insured.

Prevention Is Better Than Cure

Most PI claims occur because of mistakes which are often easily avoidable. To minimise the risk of a claim and to help give yourself the best defence, you may find the following points useful:

- Keep well recorded file notes of all meetings and of any advice that is offered to the client.
- Ensure that you have good diary systems to avoid any slippage on agreed time scales etc.
- Refer to checklists as an aide memoir to ensure that relevant information has been obtained at an early stage.
- Ensure that your Letter of Engagement is clear and precise and identifies the proposed course of action and any advice that is being given.
- Maintain good communication with your clients and always follow up meetings and telephone discussions in writing.
- Whilst the archiving of hard files can be a problem in terms of storage costs and space, access to the file when dealing with a claim is essential when it comes to entering a defence.
- Encourage a culture of openness in respect of potential claims or problems within the business. It is far better for managers and staff to feel they are able to admit to a mistake. Problems left to fester will create insurance disputes if they are notified late.

Disclaimer. This guidance note is intended for information purposes only. Whilst all care has been taken to ensure the accuracy of the guidance note it is not to be regarded as a substitute for specific advice. We strongly recommend the guide is read in conjunction with your professional indemnity insurance policy document.





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