



About Professional Indemnity (PI) Insurance

Professional Indemnity is an insurance product that will protect you in the event that your business is sued by a client. This could happen if a client is unhappy with the work you've produced or professional advice you've provided. Even if you haven't made a mistake, you may still have to fight a claim and this form of insurance will help to settle disputes and cover the cost of your legal defence.

If you're a professional business that provides advice and services to your clients, PI cover should be seen as an essential consideration for your business insurance package. It's important that you feel confident in the quality of your work, but even with the best intentions, accidental errors and disputes over quality can happen.

Do I need professional indemnity insurance?

Any business that provides a professional service or advice to other businesses, or handles client data and intellectual property, will benefit from having some level of professional indemnity insurance. This will cover them for compensation and legal costs incurred if they were to face a claim or lawsuit, in the case a client feels a mistake was made, there was negligence, or work was of a poor standard.

If your business provides a professional service or advice to other businesses, or handles client data and intellectual property, it is worth considering professional indemnity insurance to protect your business from the risks associated with the territory. For some professional bodies and regulators, it is a legal requirement for members to hold PI insurance.

What does professional indemnity insurance cover?

Professional indemnity insurance covers you in case you need to pay to correct a mistake, or to cover legal costs, if you make an error in your work. While this falls under cover for 'negligence', you can also consider a policy that offers cover for intellectual property, dishonesty, defamation and loss of documents too.

You would draw upon your professional indemnity insurance if, for example, an employee sends a gossipy email about a difficult client to a supplier and copies in the client by accident. You may also need it if your IT system fails, causing you to lose some of your client data or documents, and they're difficult and costly to retrieve it.



Another example is a case for infringement of intellectual property rights arises when incorporating copyrighted stock images without permission without asking for permission first.

PI insurance can cover you for all these eventualities from the start of your policy, but if you're worried that work you've already done may need to be protected against a claim you can also get a retroactive date for your policy.

How much does professional indemnity insurance cost?

The cost of professional indemnity insurance depends on factors such as the amount of cover your business needs and the nature of your work. Cover can be tailored to a wide range of professions to protect from the most common risks your business could face, and a number of alternative prices can be sought for varying Sum Insured and Deductible options.

How much cover do I need?

The level of cover you'll benefit from depends on the size of your business and the type of work you are doing. For example, a start up with a relatively low turnover may only require a low level of cover to start off with (say approximately a limit of TTD\$250,000), while a larger organisation may find security in a higher level of cover (a TTD\$1 million limit and higher being a common choice).

When you buy insurance, whether it's for your home or your business, you'll be asked how much professional indemnity insurance you want to buy. And because each business is unique, there's no one-size-fits-all solution. If you're unsure about how much cover your business needs, here are a few things to consider when choosing what level of PI is appropriate:

The size of client contract

An important factor to think about is the size of the client. How deep are their pockets? If they have the cash they may decide to sue you as a matter of principle, and you'll need to make sure you can afford it.

Some contracts insist that you hold a certain level of PI, such as ACCA, the professional body for accountants. If this is the case, then the level of minimum level of PI may be decided for you. However, not all clients will specify a limit,



so it's worth discussing the potential risks and policies available to agree on a level of cover that will suit you both.

Compensation claims

It makes sense for anyone who provides a service or gives advice to consider PI cover. Of course, in an ideal world mistakes wouldn't happen, but you can't predict the future and even the happiest of work situations can turn sour if what is delivered does not meet client's expectations.

If the worst comes to the worst, a client may ask for compensation to cover the money paid out to you, as well as the cost of rectifying any mistake you make. Think of the worst-case scenario and how much it could cost to put it right.

Legal costs

As well as potentially being required to compensate your clients, there may be legal costs to pay for the investigation and defence of your case. Don't underestimate how much this could potentially cost.

Getting professional indemnity offers peace of mind

When you run your own business, the responsibility for getting things right sits firmly on your shoulders. While it may seem like a lot to consider, particularly if your business has never faced a claim situation before, it makes sense to get the right level of protection should the worst happen. This will ensure you have the appropriate legal support and the financial means to get your business back on track as quickly as possible.

We'd be happy to discuss this and other Risk Management techniques with you, and to answer any questions you might have – do let us know where we can assist,


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