



Architects Registration Board

# PII Guidance 2014

**Protection against liability incurred in practice or business related to architecture needs to be in place in the interest of both you and your client. Allegations of professional negligence often involve complex and detailed issues, and litigation may be expensive and traumatic. Professional Indemnity Insurance (PII) or other appropriate insurance cover is essential to protect you and your business against claims.**

**You should always seek advice from an appropriate expert adviser in relation to the insurance cover you intend to obtain including, for example, any exclusions from cover and the limit of indemnity.**

### Guidance

Standard 8 of the Architects Code - Standards of Conduct and Practice provides that:

*You are expected to have adequate and appropriate insurance cover for you, your practice and your employees. You should ensure that your insurance is adequate to meet a claim, whenever it is made. You are expected to maintain a minimum level of cover, including run-off cover, in accordance with the Board's guidance.*

*The need for cover extends to professional work undertaken outside your main practice or employment.*

*If you are an employed architect you should, as far as possible, ensure that insurance cover and/ or other appropriate indemnity arrangements are provided by your employer.*

*You are expected to provide evidence that you have met the standards expected of this Standard in such form as the Board may require.*

If you undertake professional work, whether through a partnership or company or as a sole trader, as an employee or in a private capacity, you should ensure your work is covered by insurance.

Employees are clearly a special category as insurance will usually be provided by their employer. Nonetheless, if you are an employed architect you should ensure that appropriate cover/protection is provided by your employer, and in the case of doubt, seek such confirmation in writing. It is your responsibility to ensure your professional work is adequately covered.

ARB is also aware that in certain instances, architects may be reliant on others to provide cover/protection on their behalf. Examples of this are those acting as consultants, through agencies, or providing casual or gratuitous advice. You may not need to maintain your own insurance policy where other appropriate cover/protection is provided on your behalf, but again should seek confirmation of that cover in writing.

Consideration needs to be given to the issues surrounding pro bono work. Work carried out for free is unlikely to be free of liability. It is not uncommon for claims to be made against architects for pro bono work and suitable protection will be required, as for other categories of work.

You need to be aware that the terms and conditions of PII policies differ, and you should therefore make proper enquiries to satisfy yourself that the policy on offer matches all your requirements. Consideration should be given to the implications of the date the practice first commenced work and the start date of cover.

There is a strong public interest in architects maintaining proper professional indemnity insurance so ARB, acting through its Professional Conduct Committee, will view very seriously any failure by an architect in this regard.

### Working Overseas

You should ensure that any work undertaken overseas is adequately covered by your policy. You should also consult with your broker as to under which country's laws any claim might arise.

### Limit of Indemnity

The Board recommends that the minimum limit of indemnity provided by PII should be £250,000 for each and every claim. Any departure from this minimum is likely to result in only minor savings in premiums, and should not be considered without receiving professional advice that cover level remains appropriate.

It is important to note that architects should maintain sufficient cover to enable them to meet claims arising from professional practice and bear in mind that claims may arise from personal injury as well as loss, damage, delay and additional costs. Even those architects with limited turnover or engaged in private works (outside of their main employment) need to maintain a minimum level of cover, and professionals should be wary of the problems any restrictions of cover may cause.

Cover for legal costs is increasingly important, and some insurers are also prepared to cover some of the costs of attending a disciplinary hearing. Attention should be paid to the insurer's attitude to alternative dispute resolution, especially to adjudication. It is also appropriate to question the insurer's approach to claims-handling and their track record of meeting claims efficiently and fairly.

---

### Run-Off Cover

The nature of PII means that cover is provided on a claims-made basis, so in order for cover to be provided insurance must be held when a claim is made, rather than when an incident occurred.

This is why it is important that you ensure that you have in place adequate 'run-off' cover when you cease practice, whether it because of retirement or the closure of a business, to cover work previously undertaken. ARB recommends you ensure that you acquire a minimum of six years' worth of run-off cover, and continue to monitor any risk you have of a claim being made against you after this time. This cover should be held at the same amount as its highest level in the three years prior to the cessation of practice.

### Insolvency

While a decision to continue with PII in the event of you or your business becoming insolvent may be taken out of your hands, you should still consider taking appropriate steps to protect the interests of your former clients. This should include making enquiries as to whether run-off cover can be put in place to cover previous liabilities, and informing your present and previous clients of the position.

### Notification

It is important to understand that your obligations are not met simply by having adequate insurance in place. To avoid the danger of your insurers refusing to cover a claim, it is vital that you notify them – at the earliest opportunity – of any circumstance that may lead to a claim.

For example, as soon as a client makes any form of allegation or complaint, when any mistake or defect becomes apparent, or when a dispute arises between parties on the project, you should contact your broker or insurance provider straightaway. Insurers need to know of any potential claim at the earliest opportunity, and they will usually give you helpful advice on how to respond to a complaint. Failure to notify your insurers in good time may result in a late claim being rejected. Waiting until a complaint becomes formalised, or even when correspondence has been exchanged and gets as far as proceedings being issued, may well be too late.

Notifying your insurer of a circumstance that may give rise to a claim allows you the opportunity to use their expertise in dealing with the issue, and talking to them should not affect your premium in itself. It is equally important to keep your insurers updated on any new information that arises in respect of an ongoing claim.

Architects should be extremely careful when completing proposal forms for new insurance, or confirming renewal of cover. Great care should be taken in ensuring the information submitted is complete and accurate, so not to run the risk of invalidating the policy.