



# Professional indemnity insurance

Renewal advice

## Introduction

This advice is for architects acquiring or renewing professional indemnity insurance (PII). This information is general advice only - you should always seek advice from an appropriate expert adviser to ensure that you are securing appropriate insurance to cover your risks.

## Before applying for an insurance policy

Prepare your application for insurance well in advance of renewal. Insurers can take some time to consider proposals. If you are renewing an existing policy, you should not assume that an extension will be granted. Contact your insurance broker in advance of submitting your application, to establish what information you will be expected to provide.

As with any risks, insurers will be more attracted to good businesses with whom they can establish a long-term relationship. Architectural practices with accurate record-keeping, robust internal procedures and solid risk management processes will be more attractive to PI insurers.

Demonstrate an understanding of your business and risk-profile. You should be able to show evidence of your record-keeping, particularly in respect of the materials you have specified and of your claims history.

When budgeting, factor in an annual increase in your insurance premiums.

### Preparation recommendations:

- 1) Complete your proposal form fully and include as much detail as you can. Be prepared to provide additional information to demonstrate your practice is a good risk. It may be sensible to supplement the form with a covering letter which provides background details to your practice and an explanation of the nature and risks of your work.

Be meticulous in the information you provide on your proposal form. A failure to provide accurate information may result in future claims being rejected or having your insurance policy invalidated.

- 2) Collate key information for your application submission:
  - Produce a claims history document with all particulars included - PI claims, PI notifications, current status of claims and/or notifications, name of claimants, dates of losses, the insurer, any payments, or reserves.
  - Prepare a list of the status of any claims (closed or open) with payments.
  - List any work related to buildings where external cladding has been specified.
  - Produce examples of your contractual documentation

Check with your broker how far back this information needs to cover. It is common for insurers to ask for 10 years work of claims history, and 15 years of external cladding history.

- 3) Understand your supply chain.

Insurers expect firms to be actively managing their supply chain, which is often one of the focuses of conversations between insurers and their policyholders. A particular concern is that often claims manifest themselves a long time after the contract is completed and some businesses are no longer in existence.

- 4) Establish appropriate contractual arrangements.

Insurers will expect you to demonstrate that you understand the risks of inappropriate contractual arrangements. You should be able to demonstrate that you are not carrying liability on behalf of sub-consultants or other parties to the contract. Properly drafted net contribution clauses (such as those contained within professional bodies' standard appointment documents) are encouraged and should not be amended.

## Application for insurance

Once you have collated the relevant information needed to make an application, you will need to find an appropriate insurer.

- 1) Ask your broker to arrange meetings with prospective insurers so that developments and concerns can be addressed.
- 2) Be cautious before changing insurer purely for the benefit of cheaper premiums:
  - There is a particular risk if there are outstanding claims or notifiable incidents.
  - This should not however discourage you from speaking to alternative brokers to see if there are other markets available better suited to your needs (different brokers are likely to have access to different insurers)
- 3) If you have a particularly high-risk project, discuss options with your broker as to how it might be ring-fenced so not to impact on your risk profile with other clients

## Post-renewal

Once you have accepted a policy you should check if there any follow-up actions to complete.

- 1) Confirm if the new exclusions have an impact on your historic liabilities. If there is a change in policy coverage that may affect existing or former clients' ability to bring a claim that will be covered by insurance, you should inform them in writing.
- 2) Review and update your risk management processes to control any particular risks arising from exclusions in your policy.
- 3) If your new policy contains exclusions which leaves some of your historic liabilities uninsured, document why it was not viable for your business to pay for more comprehensive cover