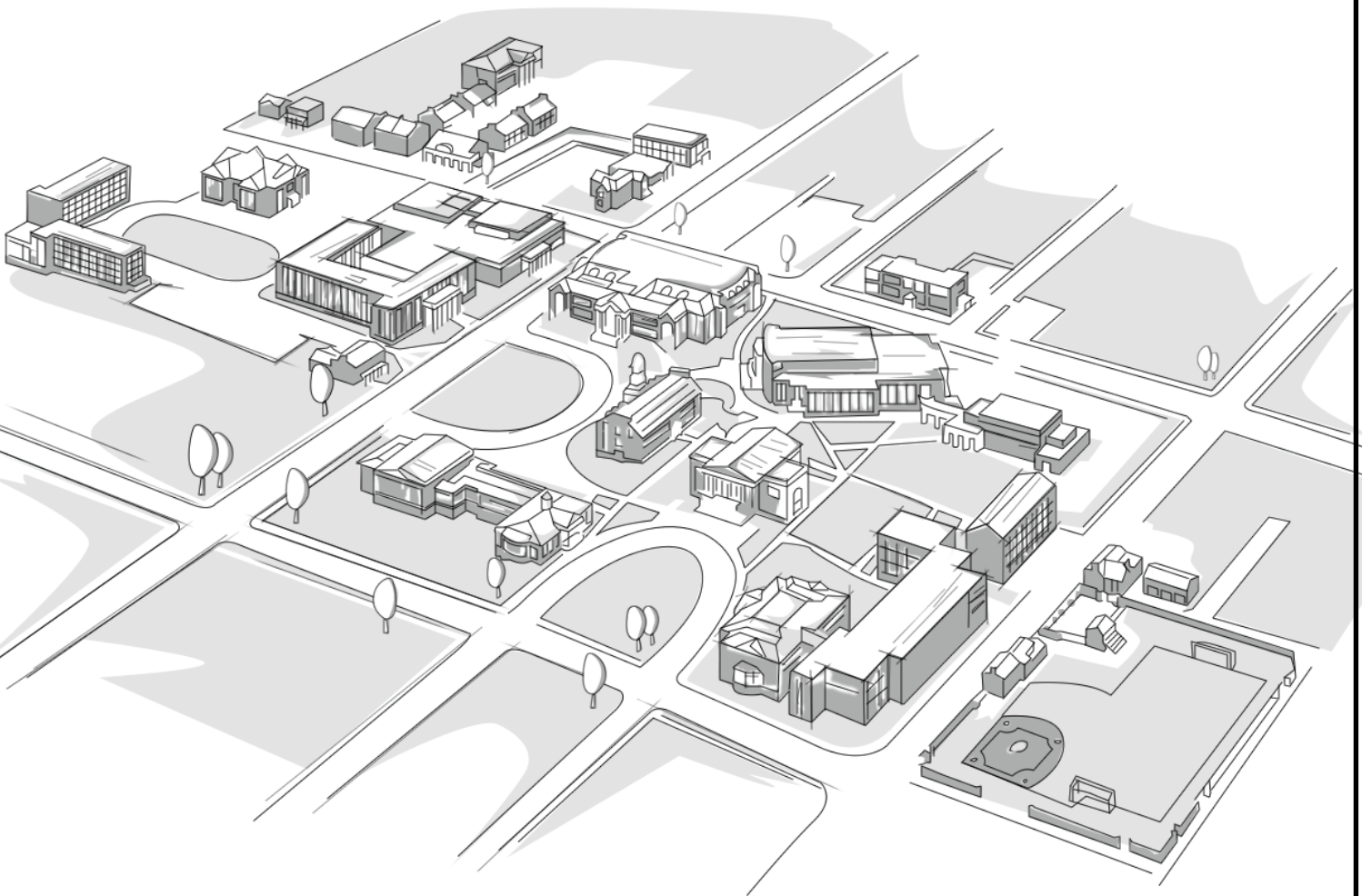


PROFESSIONAL INDEMNITY

Lecturer: Madeeha Zali





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WHAT IS PROFESSIONAL INDEMNITY (PI) INSURANCE?

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- Professional Indemnity (PI) Insurance protects against claims alleging a breach of a professional duty or service
- PI Insurance will primarily protect the insured against claims for:
 - Compensation (usually damages payable), and
 - Legal costs incurred in the defence and settlement of a claimResulting from the conduct of their 'Professional Service'



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WHAT IS PROFESSIONAL INDEMNITY (PI) INSURANCE?

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- By having this insurance, it protect both the insured's assets, ability to trade and even reputation should a claim occur.
- PI Insurance can otherwise be referred to as 'Errors & Omissions' Insurance or 'Professional Liability' Insurance



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WHO NEEDS PI INSURANCE?

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- Any "Professional" who provides advice or a 'Professional Service' to their clients on a 'fee-for-service' basis.
- Any business, association or tradesperson who provides 'advice' (even of a general nature) in the daily course of their business activities



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WHO NEEDS PI INSURANCE?

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- PI Insurance can be required of an individual or professional business enterprise by any of the following:
 - License or industry body requirement
 - Statutory regulations and legislation
 - Contractual obligations with an employer or another contracting party



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WHO IS CONSIDERED A 'PROFESSIONAL'?

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- A professional is considered an 'expert' in their field. Third parties rely upon this professional expertise and may or may not pay a fee for the service. In most cases a fee is charged, however, there are times when the professional service fee is included in the overall cost of a certain job or project.
- The following occupations are just some of the traditional professional fields:
 - Lawyers
 - Accountants
 - Architects
 - Medical Practitioners



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WHO IS CONSIDERED A 'PROFESSIONAL'

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- Engineers
 - Financial Advisers
 - Stockbrokers
 - Real Estate Agents
 - Property Valuers
 - Property Surveyors and Certifiers
 - Management and Business Consultants
- There are thousands of 'Miscellaneous Professionals' just some of which include:
- Anthropologists
 - Aquaculture consultants



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WHO IS CONSIDERED A 'PROFESSIONAL'

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- There are thousands of 'Miscellaneous Professionals' just some of which include:
- Arbitrators
 - Celebrants
 - Funeral Directors
 - Interior Designers
 - Mediators
 - PR Consultants
 - Recruitment Personnel
 - Town Planners
 - Travel Agents



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HOW DOES A PI POLICY WORK?

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The fundamentals of PI insurance are:

- 1) The Insurer will indemnify the Insured against liabilities for compensation and costs and expenses
- 2) A Claim must first be made against the Insured and notified to the Insurer during the Period of Insurance
- 3) This must result from the conduct of the Insured's Professional Services



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HOW DOES A PI POLICY WORK?

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- 4) The professional services must have been provided after the Retroactive Date
- 5) The liability of the insurer will not exceed the 'Limit of Indemnity' provided to the insured



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WHAT IS 'CIVIL LIABILITY'?

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Most PI Insurance policies today operate on a 'Civil Liability' basis i.e.

"The Insurer will indemnify the Insured against 'Civil Liability' for compensation and costs and expenses..."

So, what is Civil Liability?

Civil liability is liability of one party to another arising out of civil law, as opposed to criminal law. This is usually imposed by a Court or other public authority.

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WHAT IS 'CIVIL LIABILITY'?

BROOKLYN 

There are four branches of civil law:

- 1) Tort law (the common law torts of negligence, nuisance, and defamation);
- 2) Contract law (breach of contract)
- 3) Statutory law (eg the Trade Practices Act)

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WHAT IS 'CIVIL LIABILITY'?

BROOKLYN 

4) Equity - (a system of law based on the principle of 'fairness' designed to furnish remedies for wrongs which were not legally recognised or for which no adequate remedy was provided by the common law).



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WHAT IS 'CLAIMS MADE' COVER?

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Most PI Insurance policies today operate on a 'Claims Made & Notified' basis.

This means that:

- 1) A Claim must first be made against the Insured and
- 2) notified to the Insurer
- 3) During the Period of Insurance

The Period of Insurance is always clearly outlined on the insureds Policy Schedule.



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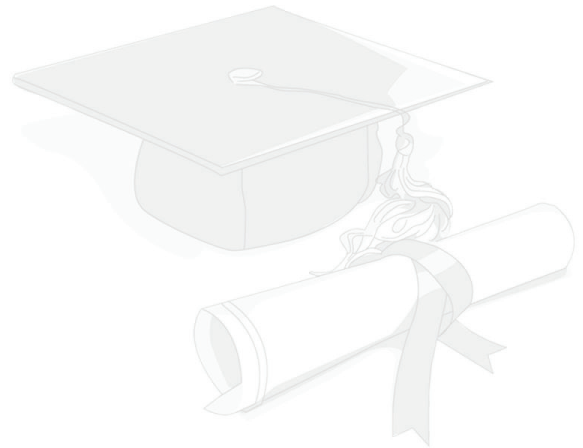
WHAT IS A 'RETROACTIVE DATE'

BROOKLYN 

PI Insurance policies usually include a 'Retroactive Date'.

This is the date from which:

- 1) A Professional Service may be given or conducted, and
- 2) From which a Claim has arisen



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WHAT IS A 'RETROACTIVE DATE'

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A retroactive date is either listed as:

- 3) a specific date in time e.g. 23/06/2010, or
- 4) Unlimited

If 'Unlimited' retroactive cover is provided then a claim can arise from a professional service that occurred at any time in the past.



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THINGS A PI POLICY WON'T COVER

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Some things that a PI Policy will NOT cover can include:

- Assuming any liabilities (usually under contract)
- Liability arising as a 'Director or Officer'
- Dishonest or Criminal Acts
- Prior Known Claims or Circumstances



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THINGS A PI POLICY WON'T COVER

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- The liabilities of an 'Employer' (usually covered by Management Liability and/or Workers Compensations Insurance)
- Claims from a company which is majority owned by the insured (i.e. a conflict of interest or 'insured vs insured' claims)



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