

Product Disclosure Sheet

Professional Indemnity Insurance

Professional indemnity (PI) insurance is an important type of business insurance, designed to cover you for costs you might face if your work, service, or advice causes clients to suffer a loss either reputationally or financially.

It typically covers any legal costs, compensation or expenses and the cost of work to rectify the mistake, should a claim be made against you or your business.

Understanding exactly what professional indemnity insurance is, whether you need it, how much cover you need and lots more can be difficult to navigate, so we've put together a simple but in-depth guide to answer the most frequently asked questions on the subject.

So, what exactly does professional indemnity insurance mean?

Professional indemnity insurance, or PI for short is an essential type of insurance for many businesses, having this cover means that you will be protected against any claims that your work, services or advice has been inadequate.

How does it work?

Professional Indemnity allows a business to offer services without having to build in the potential additional cost of any mistakes they might face in the future.

Essentially, it is an insurance product designed for professional firms and people which covers them in the event of certain errors made during the course of their business. The policies available mainly cover professional negligence, errors or omissions and breach of professional duty.

This type of insurance means that professional people can work without the fear they may be sued without an insurance policy to protect them.

The reality is, mistakes happen, regardless of the industry in which you work, how long you have worked in it for and your customer relationships. Unfortunately, they often lead to disputes and/or legal claims.

In the event of a claim made against you, most professional indemnity insurance policies will provide cover for the legal defence, and any compensation costs which may be required.

Very often the claim is actively defended and is successful but the actual legal costs can be substantial.

Examples of a PI claim

- You're a content writer and when uploading content to the business website you use legally protected intellectual property, such as an image or photograph, without permission or credits. This would be breaking copyright law and therefore the business could be sued.
- You're an architect and you are sued for the costs of rectifying an extension built from a flawed design.
- You're a marketing company and you omitted a client's phone number and left out their web address in a printed advert meaning they all need to be reprinted.

What does professional indemnity insurance cover?

If a customer carries out a claim against you, professional indemnity insurance will cover the legal fees associated with defending the claim.

If the customer wins their case against you, it will also cover you if you're liable to pay any compensation or expenses costs.

Areas covered are:

Breach of duty – when a professional or company fails to meet a duty of care towards another.

Breach of confidence – revealing something without informed consent.

Civil liability – the responsibility for paying potential damages following a lawsuit.

Compensation – an enforced financial remedy for r losses or injury incurred.

Defamation – libel and slander.

Error – a mistake requiring legal remedy.

Negligence – professional conduct that does not meet the standards of behaviour by law.

Omission – failing to perform an act that has been agreed to or inadvertently leaving a word, phrase or clause out of a written document.

Do I have to have professional indemnity insurance? Is it mandatory?

Whilst professional indemnity insurance isn't required by law, it can be mandatory for many businesses that provide consultancy, advice or professional services.

Those industries that are regulated or chartered make it compulsory, this typically includes; architects, solicitors, accountants, financial advisors, surveyors and other consultants or business professionals. It can also be required in order to secure a contract with some clients.

Many contractors are required to hold professional indemnity insurance as a requirement of their clients.

Who needs professional indemnity insurance?

If your business provides advice, professional services, or you believe your business could be at risk of any of the types of claims mentioned above, you should consider taking out a professional indemnity insurance policy. This will ensure your business is protected should a claim be made against your business.

Even if you are not obliged to take out a policy, most businesses within certain professions are best to hold an adequate policy, without it you carry a huge risk.

Mistakes can happen in any line of business, regardless of the sector or industry. However, those that might need professional indemnity insurance include, but are not limited to;

- Accountants
- Architects or other building/construction consultancy business
- Business consultants, management, strategy
- Designers, including interior designers, graphic designers or other types of marketing
- Engineering or other contractors
- Financial advisors
- HR/Recruitment consultants
- Healthcare professionals
- IT consultants
- Solicitors
- Surveyors

Do I need professional indemnity insurance?

Although some industries are considered to have higher risks and therefore should take out professional indemnity insurance, mistakes can happen in any business. Regardless of the size of the business, or the sector, not having adequate insurance presents risk.

In reality, any business that can have allegations and claims made against them because their advice or service has been inaccurate or faulty should seek a professional indemnity insurance policy. This will then protect their business against these claims, providing invaluable legal costs and other expenses.

This level of protection and safety should an error occur and a claim be made can be critical for the business to survive. Without PI insurance you risk being liable for significant costs, and time, to defend and/or payout a claim.

How much professional indemnity cover do I need?

At One SK Risk Solution Sdn Bhd we take the time to truly understand you and your business in order to support you in getting the most appropriate level of cover you need. The amount of professional indemnity insurance cover can depend on many factors of your business. This includes; the type of business, the services you provide, the size of the businesses you work for, contract values and other factors that can make up your risk profile.

The level of cover we provide can typically range between RM 250,000 and RM1 million or above. It's based upon a worse-case scenario so it's important to consider that, and the expenses a claim could occur, in order

to understand the level of cover you may require. Some regulators or clients may specify a level of cover, so it is worth checking with them too.

How much does professional indemnity insurance cost?

Like any insurance policy, the cost really depends on the level of cover you require, and the excess charge. Professional indemnity insurance can be taken out as a single policy but is commonly one of many types of business insurance that you'd likely be looking to take out. Therefore, it could be cost effective to take it out alongside other policies to ensure your business is protected for a range of situations.

At the present time, arranging Professional Indemnity can be challenging due to the increased number of claims that are taking place. A number of insurers are currently exiting this type of insurance so capacity is becoming a problem. We would strongly recommend you do not leave obtaining your cover until the last minute as to obtain the most competitive terms takes time, so don't leave it to the last minute.

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