

**Australian Institute of
Enterprise Facilitators**

Professional Indemnity
Insurance
Recommendation



Professional Indemnity Insurance

Professional Indemnity insurance is designed to cover your professional exposures such as design, advice, or consultancy.

Claims Made Policies

Professional Indemnity insurances are issued on a 'claims made contract', which means that the policy will respond to:

- Claims first made against you and reported to the Insurer during the Period of Insurance, specified in the policy schedule.
- Any circumstances which you become aware of during the period of insurance, which could give rise to a future claim, provided you inform the Insurer in writing of such circumstance, as soon as practical, within the period of insurance.

This type of policy does not provide cover in relation to:

- events that occurred prior to the retroactive date of the policy (if such a date is specified);
- claims made after the expiry of the period of cover even though the event giving rise to the claim may have occurred during the period of cover;
- claims notified or arising out of facts or circumstances notified (or which ought reasonably to have been notified) under any previous policy;
- claims made, threatened or intimated against you prior to the commencement of the period of cover
- facts or circumstances which you first became aware of prior to the period of cover, and which you knew or ought reasonably to have known had the potential to give rise to a claim under this policy;
- claims arising out of circumstances noted on the proposal/application form for the current period of cover or on any previous proposal/application form.

It is a strict condition of this type of insurance that potential claims must be reported to the insurer as soon as you are first aware of them. Should you fail to do so (and especially so if the policy does not contain a *continuous cover* clause, the insurer may not indemnify the loss.

A brief summary of some of the important terms are listed overleaf.

Underwriter: Allianz Insurance

Profession: Business facilitators / consultants

Limit of Indemnity a) \$2,000,000 any one claim (exclusive of costs)
\$4,000,000 in the aggregate (exclusive of costs)

b) \$5,000,000 any one claim (exclusive of costs)
\$10,000,000 in the aggregate (exclusive of costs)

Deductible \$ 2,500 any one claim (inclusive of costs)

Retroactive Date Unlimited (subject to satisfactory proposal)

Territorial Limit: Worldwide excluding North America & Canada

Jurisdiction Limits Worldwide excluding North America & Canada

Policy Wording: Allianz Projuris

Policy Extensions:

- Continuous cover
- Fraud and Dishonesty
- Estates and Legal Representatives
- Former principals
- Consultants, Subcontractors and Agents
- Loss of Documents
- Defamation
- Automatic Reinstatement

Professional Indemnity Annual Premium: a) \$1,085 *
b) \$1,265 *

- Subject to satisfactory completed proposal
- Premium finance is available for monthly instalment payments

Important Terminology:

- **Retroactive Date**
The earliest date after which acts, errors, or omissions are covered.
- **Limit of Indemnity**
The maximum amount the insurer will pay for claims. It is expressed as a limit for individual claims, and as an aggregate for all claims made during the policy period.
- **Automatic Reinstatement**
An automatic reinstatement means that once the limit of indemnity is exhausted, the limit will be once only again returned to its prior limit.
- **Jurisdiction Limit**
The law of the land within which claims must be brought (and contracts drafted) to be insured.
- **Territorial Limit**
The physical situation or country in which the act, error, or omission must have occurred to be insured
- **Deductible - Costs Inclusive / Costs Exclusive**
A costs inclusive deductible is paid toward any claim lodged.
A costs exclusive deductible is only paid toward the settlement amount. If a claim only incurs legal expenses (i.e. no actual settlements made), a *costs exclusive* deductible does not need to be paid.
- **Limit of Indemnity – Costs Inclusive / Costs Exclusive**
A costs inclusive limit of indemnity means that the limit of indemnity must be sufficient to cover potential settlements as well as your own legal defence costs.
A costs exclusive limit of indemnity means that your own legal defence costs are paid in addition to the limit of indemnity (often to a maximum amount equal to the limit)
- **Continuous Cover**
A continuous cover extension is similar to a “loyalty bonus”. If you fail to notify your insurer of a potential claim during the policy period, a traditional Professional Indemnity policy will not cover the claim. However if you have a *continuous cover* extension, then provided that you have been continuously insured with that insurer (in an unbroken period) since that time, the insurer may still indemnify the claim.
- **Run Off Cover**
As the policy only protects you against claims while it is in force, once you cease business you should still keep the policy renewed. Professional Indemnity type claims often occur long after the actual physical work has been completed. *Run Off Cover* refers to the practice of keeping the policy in force beyond the termination date of the business.