



Limit of Indemnity

How much Professional Indemnity Insurance cover do you need?

There's no standard formula for calculating the limit of indemnity you need but professional bodies often state minimum requirements as do many large clients. Whilst we can't tell you exactly how much cover you need or what amount will be adequate in the event of a future claim we take the time to explain all the factors that can influence the level of indemnity you need. Claims can include costs associated with personal injury, diminution in value, damage, delay, demolition, rebuild, loss of business, alternative accommodation, expert witnesses and reputational damage. To summarise, a professional indemnity claim comprises of three main sections:

- Legal defence costs.
- The amount claimed – settlement or compensation awarded.
- The claimant's legal costs and associated expenses.

We can advise you on average costs and what areas to consider when building an idea of potential claims, as well as providing industry figures e.g. professional bodies' guidance on minimum requirements. Your clients may require a minimum level of cover (often stated in your contract or invitation to tender documents), £1 million is not uncommon. All the factors, which we can discuss further with you, help you build a clearer picture of the level of cover you require for your specific business, area of expertise and type of work you carry out.

As a general guide, we recommend that you consider the types of clients you are working for, the types of service you provide and the contract and project values involved. We can arrange Professional Indemnity cover up to £10 million and can also secure higher limits on request.

An important note on Limits of Indemnity

We cannot stress enough how important it is that you arrange and maintain a limit of indemnity that is adequate to meet any claims that may be brought against you both now and in the future. If you are subject to a minimum requirement by your professional body you must not take this as being adequate. There is a noticeable trend that the size and costs of professional indemnity claims has increased significantly and when ascertaining your exposure you should not only consider the potential damages a claimant may pursue you for but also factor in their legal costs including interest payments and any consequential losses they may suffer. You should also consider the possibility of a personal injury claim being made against you; it is very evident that personal injury claims are becoming more frequent against all types of professionals and especially (but not limited to) ones that have undertaken any Project Management, Project Coordination, and Property Management services.

As the maximum amount the Insurer will pay in respect of a claim is capped at the limit of indemnity, the consequences of you having an inadequate limit are that you will be personally liable to pay any amounts that exceed this; we would urge you not to take an "it won't happen to me" approach, as very large claims against professionals are very real, they do happen, and they are becoming more frequent. Ultimately, it is your responsibility to choose your own limit of indemnity. We are happy to provide quotations for any limit you wish for us to, but we will not select the limit for you and as such we accept no responsibility whatsoever for the choice you make. If you are in any doubt as to the limit you need, then we suggest you take independent legal advice and speak with your professional body.