

## **Professional indemnity insurance – a small business guide**

[Professional indemnity insurance](#) is not usually the first thing that comes to mind in today's fast-paced world. Deadlines are a fact of life and when you're in a rush to get a job done, professional indemnity insurance can often be forgotten.

However, small mistakes can be made - mistakes that could potentially lead to you being accountable for causing damage or loss to your clients. This in turn could result in huge claims being made against you. Without professional indemnity, your business, and even your home, could be at risk.

### **Professional indemnity insurance - who needs it?**

Many professionals such as solicitors, architects, accounts, engineers, estate agents, IT consultants and contractors are required to have PI insurance as a regulatory requirement.

Professional indemnity insurance is also often taken out by a range of other professionals like consultants, designers, and members of PR and advertising firms. While professional indemnity is not necessarily compulsory for some of these professions, many companies will treat it as essential insurance.

Today's savvy consumer is highly aware that pursuing a claim against you or your company could be a lucrative option if they feel that the services provided have not been top notch. This perhaps makes the need for PI insurance greater than ever.

Although PI insurance is not a legal requirement, when bidding for a contract, most companies will insist on/prefer a consultant who has professional indemnity insurance cover in place.

### **Professional indemnity insurance - what does it cover you against?**

PI insurance protects your business against claims for loss or damage by a client or a third party if you have made mistakes or are found to have been negligent in some or all of the services that you have provided.

These are just a few examples of instances when a company may need to call on its professional indemnity policy:

- **If you have demonstrated negligence while providing your service.** For example, if you are a website manager managing a client's site and you accidentally delete an important webpage, a claim could be issued against you for any online revenue lost over that period.



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- **If you accidentally infringe on intellectual property rights.** For instance, if you are a publisher and someone believes the content you've printed is replicated, or that it heavily borrows ideas from previous work, you could end up being liable for large compensation fees.
- **If you lose or damage important documents given to you by a client.** Many professions operate in busy offices where, from time to time, files can go missing. While you can't always safeguard against accidents such as these, you can still protect against the financial repercussions with a professional indemnity policy.
- **If your company is accused of libel or slander.** However careful a company is, when a company is dealing with a range of people there is always a risk of being accused of libel or slander. Even a simple, seemingly harmless publication such as a blog could get your company in trouble if someone takes offence or is damaged in some way by your comments.

Remember, it is advisable that you examine the terms of any professional indemnity policy before you make a purchase as the extent of cover can vary between insurers.

## Professional indemnity insurance - things to consider

Professional indemnity insurance is quite unique in that it is generally underwritten on a claims-made basis. This means that a policy must be live when a claim is issued against you. So, if your contract finishes and you cancel the policy, you will not be covered for the work you have done.

When taking out a new policy, many insurers can include a retroactive date with their professional indemnity policy, which covers for work completed during that period i.e. if you have 2 years retroactive cover, you will be covered against claims connected with work you've carried out during the previous 2 years. This could be an essential option for you, especially if you have undertaken a lot of high-risk work in the past.

## Professional indemnity insurance – essential insurance for you?

This guide aims to highlight some of the ways a professional indemnity policy can work for you or your small business. While professional indemnity may be compulsory insurance for some businesses, for others it gives significant peace of mind. Ultimately, by preparing for a number of legal eventualities, it is another way of looking after the long term future of your business.

If you are unsure of whether you require professional indemnity insurance please don't hesitate to contact the Constructaquote.com team, who can supply you with additional information and provide you with a competitive professional indemnity quotation as well.



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