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NAVIGATING PROFESSIONAL INDEMNITY INSURANCE

IN A HARDENING MARKET

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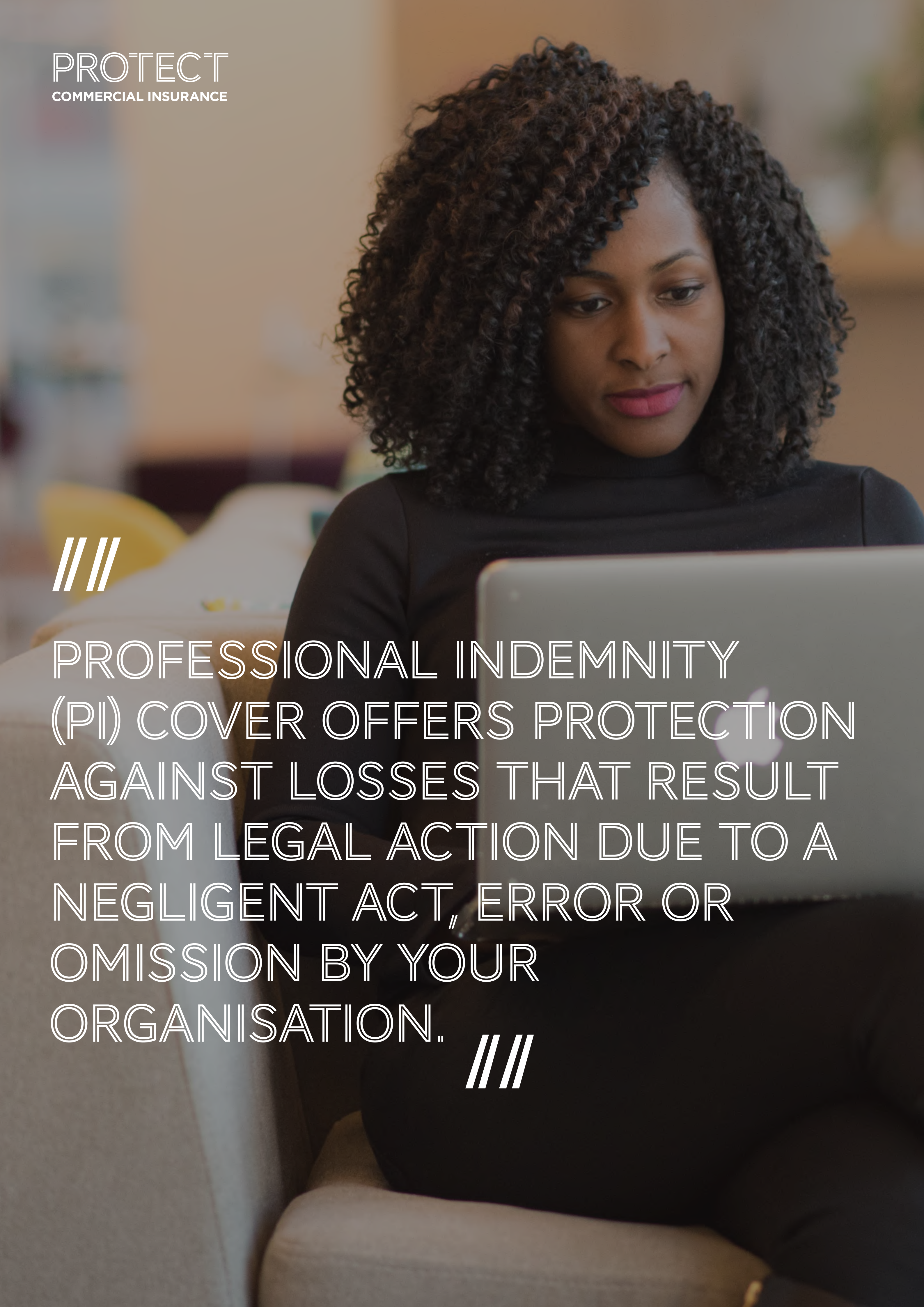

PROFESSIONAL INDEMNITY (PI) COVER OFFERS PROTECTION AGAINST LOSSES THAT RESULT FROM LEGAL ACTION DUE TO A NEGLIGENT ACT, ERROR OR OMISSION BY YOUR ORGANISATION.

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E | info@protectcommercial.co.uk
W | www.protectcommercial.co.uk
T | 029 2167 7140

Protect Commercial Insurance
33-35 West Bute Street
Cardiff, CF10 5LH

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Professional indemnity (PI) cover offers protection against losses that result from legal action due to a negligent act, error or omission by your organisation. This form of insurance can also cover concerns such as slander, libel and breach of contract. PI cover is especially critical for organisations that provide professional advice, offer educated recommendations, design solutions or represent the needs of others.

WHAT THE EXPERTS SAY

Insurance experts confirm that the UK's hardening PI market has made it increasingly difficult for organisations like yours to secure adequate levels of cover. Recent insurance disasters—such as the Grenfell tragedy and the collapse of Carillion—have generated unfavourable PI market conditions across the UK. This market shift has even resulted in some insurers deciding to leave the PI industry altogether.

Review the following guidance for an outline of how the hardening market affects PI insurance and top tips for securing adequate levels of cover during this market change.

HOW THE HARDENING MARKET AFFECTS PI COVER

A hard insurance market is characterised by high demand for cover and a lower supply. Over the past few years, various large-scale catastrophes throughout the UK—including natural disasters, unexpected insolvencies and broken supply chains—have caused a significant increase in PI claims.

This surge in demand for PI cover has resulted in a major market fluctuation, leaving insurers to pay the hefty price tag of additional claims with a limited financial supply. Consequently, insurance experts revealed that the PI market has lost half a dozen insurers in the past year—with no new insurers expected to take their place in the near future. Further, the insurers that have remained in the PI market have implemented a variety of measures to limit their exposures and reduce their risk of continuously paying out costly claim settlements.

Continued...

OVER THE PAST FEW YEARS, VARIOUS LARGE SCALE CATASTROPHES THROUGHOUT THE UK INCLUDING NATURAL DISASTERS, UNEXPECTED INSOLVENCIES AND BROKEN SUPPLY CHAINS HAVE CAUSED A SIGNIFICANT INCREASE IN PI CLAIMS.

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MEASURES TO LIMIT EXPOSURE

• Extra information—Prior to renewal time, insurers have begun requiring more detailed information from organisations regarding their business operations, supply chain processes and current risk management methods. Doing so can significantly lengthen the amount of time it takes to generate proper terms and determine an updated policy.

• Higher premiums—In order to compensate lost profits from a growing number of claims, many insurers have increased their premium rates—forcing organisations to pay additional expenses for adequate cover.

• Cover restrictions—Many insurers have implemented serious restrictions upon policy renewals, such as limiting cover to a single aggregate amount, imposing a higher self-insured excess, excluding consequential or economic losses, and eliminating various policy extensions (eg cyber-liability cover).

SECURING PI COVER IN A HARDENING MARKET

Despite the harsh implications of the hardening PI market, you can help your organisation maintain adequate cover with this guidance:

• Communicate with your broker—Make sure you meet with your broker to discuss what level of cover and unique policy features your organisation needs. After all, your broker has the insurance expertise to provide you with the most cost-effective, high-quality cover solutions. Ensuring frequent communication with your broker will help you stay informed, supported and—most importantly—covered during these market conditions.

• Start the renewal process early—In a hard market, you can't wait until the last minute to secure quality cover. With this in mind, be sure to engage in your PI policy renewal process as early as possible. Doing so will give you plenty of time to gather any documentation required for renewal. In addition, insurers will likely ask more questions than usual before finalising your policy-making it even more vital to get a head start on the process.

• Invest in risk management—Now more than ever, it's vital to invest in robust risk management processes and provide documentation of these practices to your insurer upon renewal time. Your risk management documentation should highlight:

o Proper cash flow processes
o Seamless contracts with clients that clearly outline the responsibilities of both parties
o Effective supply chain management (eg positive relationships with suppliers, due diligence of supply chain risks and well-distributed liability agreements)
o Robust internal practices and standards to mitigate on-site risks.

CONTACT PROTECT COMMERCIAL TODAY FOR MORE GUIDANCE AND PI INSURANCE SOLUTIONS.

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