

# 10 reasons for Professional Indemnity insurance


If a company is providing advice, design, skills or knowledge in a professional capacity, or handling intellectual property, they are wholly responsible for getting it right.

Professional Indemnity (PI) covers the insured against their legal liability to compensate third parties for injury, loss or damage due to a breach of duty in the conduct of their profession.

Here are 10 reasons your clients may need PI insurance:

**01**  **Mistakes can happen**  
Companies will avoid mistakes and give the best advice or services possible to ensure good client relationships. However, mistakes can happen, leaving the company open to large legal costs and compensation claims. Negligence is a core cover for PI and would provide protection against allegations made.

**06**  **Handling clients' information**  
Even with adequate data protection and policy procedures in place, data can sometimes accidentally get lost. PI would cover the cost to replace or restore any damaged, distorted, erased or mislaid documents including electronic or digitised data.

**02**  **Compulsory or optional?**  
For many professions, such as chartered accountants and chartered surveyors, it is a regulatory requirement to have PI insurance to practice. Not having this cover could mean a business being stripped of its regulated status, making it difficult to operate.


**07**  **Employee negligence**  
Even with an extensive training programme for new and experienced staff, the way employee's carry out their work activities is ultimately beyond the company's control. This could leave the company exposed to liability claims. PI cover gives peace of mind in the event of an employee's negligence.


**03**  **Intellectual property**  
Unintentionally producing materials that infringe intellectual property rights, e.g. using online images without the owner's permission, could lead to litigation for copyright. PI can protect a company against legal costs and compensation.

**08**  **A duty of care**  
Professionals could owe a duty of care to anybody who may rely on the service or advice they have provided. In today's world, clients expect high standards of service and are more inclined to resort to litigation when this has not been met. PI insurance would provide protection against such claims.

**04**  **No PI insurance, no contract**  
It's becoming more common for clients to request that PI cover is in place before a business relationship commences. Having PI gives confidence to clients that businesses are run professionally.

**09**  **Peace of mind**  
There's a lot to consider when running your own business, especially the responsibility of getting things right. PI cover takes away the legal and financial worries should a PI claim arise to ensure businesses continue to operate as usual.

**05**  **Vulnerability if a claim is brought against you**  
Each time a professional gives advice or offers a service for a fee, they are potentially vulnerable. From SME's to large corporations, having no PI insurance could leave a company's financial position exposed.

**10**  **Defamation cover**  
PI cover will provide protection against an accidental lapse in judgement resulting in a defamation claim. For example, sharing information via social media about a client which can be perceived as negative or slanderous.

**Claims Example**

An acoustic consultant failed to adequately design the acoustics of a concert hall. As a result of the negligent design, when the concert hall was fully constructed, those patrons sitting at the rear of the auditorium could barely hear what was happening on the stage. The claim was settled for £35,000.

**Claims Example**

A marketing agency was commissioned to print brochures for a client. When the brochures were printed, the agency realised that they had made a mistake in the spelling of the web address and contact details. The reprinting costs of over £12,000 were met by the PI cover.

These claims examples are for illustrative purposes only.