

MFL Professional's insurance
newsletter for CAAV Member
Practices. Issue No. 2

Professional Indemnity Insurance (PII): Remember it's a Professional Service!

In a volatile PII market such as we have today, there is perhaps an understandable tendency for valuers to focus mainly on the cost of the insurance cover as a business expense, rather than considering the underlying nature of the product that they are buying. There is significant danger with this approach: if valuers focus solely on cost, they may find themselves without adequate insurance protection at the very time they really need it.

Fundamentally, when you renew your PII you are buying a professional service. In fact, you're buying two professional services: the advisory service that is offered to you by the Insurance Broker that arranges your cover, and the promise made by your Insurer to provide you with a professional service in the event of a professional negligence claim against you (in addition to the promise to indemnify you for any financial liabilities you may incur). The quality of the services provided by those two parties – the broker and the insurer – will determine whether or not your premium outlay has been well spent.

The Broker's Service

Choosing the right broker (and through the broker, the right insurer) are decisions not to be taken lightly, just as you would carefully select your accountant or legal adviser. Insurance brokers have to be authorised to undertake "insurance mediation" by the Financial Conduct Authority, but beyond this there are no specific qualifications required to be allowed to carry out the broking of a Professional Indemnity Insurance policy. You should therefore be careful to choose

a broker who can demonstrate specialist knowledge and expertise in PII broking, either through a detailed face-to-face discussion with the broker and/or through references provided by other valuer clients of the broker.

The best PII brokers should:

- Have detailed knowledge of the PII market for your profession;
- Be able to advise you on the information that needs to be disclosed to insurers and how best to present this;
- Be able to recommend a particular insurer following the broking exercise and to give detailed reasons for the recommendation;
- Be able to guide you through the claims process and protect your position under the policy

The Insurer's Service

The choice of the correct insurer to use is obviously heavily dependent upon the advice given to you by the broker. However, there are certain questions that you can ask the broker yourself and/or expect the broker to tell you as part of its recommendation:

- Does the insurer have a strong security rating from one or more of the leading rating agencies?
- Does the insurer have experience of the profession?
- Does the insurer have a good track record of keeping premiums at reasonably consistent levels over a period of time, or does it undercut the market with unsustainable prices in a soft market and/or take advantage of the profession when times are tougher?

- Does the insurer have a good track record of claims payment, or does it have a tendency to look at the small print by invoking policy exclusions, breaches of claims conditions or alleging non-disclosure of material facts?
- How professional is the claims service? Is it speedy, efficient and aware of the issues, or do the claims handling team lack expertise and practical guidance skills? Which lawyers do they use in the event of litigation and how good are they?

Above all, you should remember that the insurance contract between you and the insurer is very much an unequal relationship, with all the cards stacked in the insurer's favour, subject to the obvious need for the insurer to make a profit out of its PII account. It is therefore vital to arrange cover with insurers who have a strong reputation for fair dealing in the market, backed up by a professional broking service that will do all it can to protect your position when there are potential cover issues.

**Contact Jonathan Leese
with your questions
and feedback on
Professional Values
or to discuss your PI
insurance requirements.**

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MFL Professional is a specialist insurance broker to rural surveying practices and, having been an adviser to the CAAV since 1997, we run an exclusive and competitive Professional Indemnity Insurance Scheme for those firms whose principals include qualified CAAV members.

Dear CAAV Members,

Welcome to the second edition of "Professional Values", the newsletter designed specifically to inform and advise rural surveying practices about their professional liability exposures and the insurance solutions available to protect them.

In this second issue, we focus on the difficult process of choosing the specialist Professional Indemnity insurance broker, who advises you on the cover you should take out, the underwriter you should insure with and the claims notification and handling process, and that of choosing the insurer itself, who makes a promise to indemnify you in the event of a claim against you, but who does not have the chance to prove its credentials to you (or otherwise) until you notify a claim to it.

Both choices should not be undertaken lightly in today's Professional Indemnity Insurance market. In particular, you should note that many insurers, in order to seek alternative means of making an underwriting profit in a loss-making surveyors' PII market, are looking for increasingly varied ways of avoiding paying claims through much stricter interpretations of the terms and conditions of the insurance policies they sell. This is why it is absolutely vital to choose the right insurer, and to take the professional advice of a specialist broker in this context. Remember that your livelihood and/or professional reputation may be on the line if you make the wrong choices.

As always, please let me know if there is a particular topic you wish us to include in future issues.

Yours sincerely,



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Insurance Broker
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