

RICS Client Practice Note

Whilst your own Professional Indemnity Insurance (PII) renewal may be some time off yet, we felt it prudent to update you of developments within the PII market over recent weeks (we write this in early February 2020) and which unfortunately will mean the provision of further information beyond the usual renewal proposal form.

We have mentioned over recent months a change of position by the RICS as far as their PII minimum terms of cover are concerned.

In summer 2019 and following very shortly after imposing their new 'run-off' rules aimed at protecting consumers, further changes were made in terms of allowing Insurers to impose cover restrictions where the following roles were undertaken; Approved Inspectors, Architecture, CDM Planning Co-ordination, Clerk of Works and Employers' Agent.

These restrictions effectively enabled Insurers to apply an 'aggregate/defence costs inclusive' Limit of Indemnity (with the policy excess also to be applied to defence costs), subject to:

- Firms with fees under £1,000,000 – a minimum Limit £2m aggregate
- Firms with fees £1,000,001 plus – a minimum Limit £5m aggregate,

With otherwise the minimum current Limit of Indemnity of £1,000,000 any one claim still to apply with defence costs in addition and the policy excess not to apply to defence costs.

Not all Insurers since then have imposed these restrictions but the market does appear to be hardening and it is likely many practices will see a change in stance through 2020, already we are seeing many previously active Insurers reining in somewhat in terms of what they will quote, how competitive they may be etc. Despite this, these changes do not appear to have had the desired effect for either RICS or Insurers themselves and we understand further discussions between them are ongoing, the more recent student accommodation fire in Bolton adding to the difficulties post Grenfell with a feeling that definitions of inadequate fire resistant materials may be expanded, high pressure laminates (HPL) as an example.

As soon as we hear of any further developments in this regard we shall advise further.

In the meantime, please see the attached fire combustibility questionnaire which many Insurers now require as part of the renewal process. Whilst as mentioned above your own cover may not fall due for some time yet, could we ask that you please give consideration to the nature of the questions being asked on this form so as to be prepared when it comes to providing your own renewal information?

In highlighting this issue we only wish to make sure our clients are aware of developments within the PII market, certainly for those practices with little to no exposure in the areas concerned we do not envisage Insurers imposing the sort of cover restrictions the RICS are now permitting.

Please do not hesitate to email or telephone your usual contact at MFL should you wish to discuss further.

Richard Gledhill

E: richardg@m-f-l.co.uk
T: 0161 236 2532

Mark Ramsbottom

E: markr@m-f-l.co.uk
T: 01943 816866

John Jones

E: johnj@m-f-l.co.uk
T: 0161 237 7739