



LEADERSHIP, KNOWLEDGE, SOLUTIONS...WORLDWIDE.



RICS

the mark of
property
professionalism
worldwide

PROFESSIONAL INDEMNITY INSURANCE HOW TO PROTECT YOUR COMPANY?

20 NOVEMBER 2011 - RICS Romania – Annual Valuation Conference

NUTA ANTOANETA
Financial & Professional
Products Specialist

Bucharest

WHAT IS COVERED?

- Professional Indemnity Insurance cover you against a legal liability to compensate **third parties** for **losses** due to the professional's breach of professional duty in the conduct of your profession/business/occupation caused by a wrongful act (error, negligence or omission).
- It provides financial protection to meet the costs of defending legal actions and any damages that may become payable.

HOW IT WORKS? COVER IN TIME

- Trigger of the policy: “**Claims made**” which means that the claim must be made during the insurance period in respect of an act (error) occurred during the insurance period or during the retroactive period.

Which means that it is the insurer in place when a claim is received that will respond rather than the insurer in place when the negligent act occurred.

Retroactive date - key issue on such policy



RICS REGULATION IN RESPECT OF THE LIMIT OF INDEMNITY

Minimum level of indemnity based on the firm's turnover in the previous year (or estimated for a new firm)

<u>Firm's turnover in the preceding year</u>	<u>Minimum limit of indemnity</u>
• £100,000 or less	£250,000
• £100,001 to £200,000	£500,000
• £200,001 and above	£1,000,000

In order to manage their risk adequately, some firms may wish to hold a higher level of indemnity

RICS REGULATION IN RESPECT OF THE EXCESS

Maximum level of uninsured excess (the part of each claim the firm must pay itself).

Limit of indemnity

- Up to and including £500,000
- Over £500,000

Maximum uninsured excess

The greater of 2.5% of the sum insured, or £10,000

2.5% of the sum insured

EXCLUSIONS

- Controlling Interest/Associated Companies
- Insolvency of the insured
- Dishonesty or Fraud
- Directors' & Officers' Liability
- Financial Services
- Surveyors and Valuations (exclusion in respect of qualifications and experience)
- Previous claims / circumstances

Benefits of purchasing such insurance

- Peace of mind for yourself:
 - if the firm faces a claim, it is protected from financial loss that it cannot meet from its own resources
 - To protect the insured (member or firm) against the consequences of its liability to pay damages to third parties in respect of breaches of professional duty that it commits in the course of its professional activities;
- Comfort for your clients: The firm's clients do not suffer financial loss which the firm cannot meet.

Firms will adopt different ways of meeting these aims according to their size, the risks attached to the type of work they carry out and their resources.

INSURANCE MARKET

- Few local insurers
- London market

Due to economic situation the insurers have reduced their book or perhaps even come away from writing S&V (Survey & Valuation) work.

There have been more claims during the crisis which has caused the insurers to reduce their exposure within this sector

The market do not have a great appetite for valuing for lending purposes.

QUESTIONS

