

Claims 'How To' Professional Indemnity Claims

james hallam
insurance brokers

YOUR COVER

Your policy protects against claims for mistakes, negligence, or failure to meet standards. It covers negligence, breach of duty, errors or omissions, defamation, and legal costs. The policy also protects against the loss of important client documents. It's essential for professionals who give advice or provide services.

A "claims made" professional indemnity policy covers claims made and incidents reported during the policy period. Claims reported after the policy expires, or if the policy isn't renewed, won't be covered. Claims made during the policy period for events that happened before the policy started are typically covered unless there is a retroactive date excluding those incidents.

A retroactive date in an insurance policy limits coverage to incidents that occurred after a specified date, excluding claims for events that happened before it.

WHAT IS A "CLAIM"

Check your policy wording for the definition of a claim. This typically includes legal action, regulatory proceedings, or a written demand for damages. For example, a claim can be any demand for money or relief, or any legal proceedings such as court cases or arbitration. In simple terms a claim is a demand for something owed or an assertion of a right. **It is only considered a claim once it is formally communicated to the insured, such as through a letter or court claim form.**

WHAT IS A "CIRCUMSTANCE"

Check your policy wording but note that "circumstance" may not always be defined. It usually refers to facts, incidents, or events that could potentially lead to a claim.

Examples of a circumstance include:

- A client complaint
- A client not paying a fee
- Realising an error has been made
- Something unusual happening

Different policies have differing language and wordings as to what "may" or is "likely" to lead to a claim. For example;

- **"May" give rise to a claim:** It means there is a real, not fanciful, chance that a claim could occur.
- **"Might reasonably be expected to give rise to a claim":** This is a higher threshold than "may" but lower than "likely."
- **"Likely" to give rise to a claim:** There is at least a 50% chance of a claim being made.

Remember: You don't need to judge if the claim has merit—just consider if a claim could be made.

Sometimes, however, the insurer might decide that there's not enough reason to believe a claim can or will be made by the situation you've reported. In these cases, the policy won't be triggered.

NOTIFICATION

Always notify James Hallam as soon as you are able. Policy notification conditions can be very strict.

Ensure a notification includes the following;

- The date you first knew about the issue.
- Key documents or correspondence.
- A timeline of events.
- Details of the claim (names, nature, amounts).
- Your view on liability and if it's likely to proceed.

You must not:

- Admit liability.
- Respond beyond acknowledging receipt.
- Make offers or settlements.
- Discuss the claim or related business.
- Reveal your insurer's involvement.



What to Expect from Your Insurer

Your insurer will review the claim to ensure:

- **Timely Notification:** They will confirm the claim was reported within the required time frame and assess whether late reporting conditions apply.
- **Consistency with Previous Disclosures:** They will verify that the claim or circumstance doesn't contradict any prior disclosures, declarations, or representations made when the policy was set up.
- **Policy Terms and Exclusions:** The insurer will examine the policy wording to determine if any exclusions apply. Always review your policy wording—James Hallam Claims is available to assist with this.

Additionally, the insurer will consider:

- **Defence Costs:** They will assess legal costs already incurred and decide if they will reimburse these, cover future costs, or appoint their own solicitors to manage the claim.
- **Settlement Options:** An early settlement may be explored to minimise costs and avoid prolonged legal disputes, especially if the chances of a successful defence are uncertain.

An insurer's initial review can take time, so notifying them as early as possible helps avoid delays caused by their slow assessment process.

AVOID THESE COMMON MISTAKES:

- Failing to spot the potential for a claim.
- Trying to "muddle through" without proper support.
- Handling reputational issues on your own.
- Dismissing issues as frivolous or speculative.
- Being defensive about opportunistic claims.
- Ignoring issues because they seem below the deductible.
- Assuming it's "not your problem."
- Not identifying changes in the initial complaint where new or different allegations arise.