



# INSURANCE

## 1. WHAT IS PROFESSIONAL LIABILITY?

Professional liability is the term used to describe the liability professionals have for any act or omission that is in breach of a duty of care that they owe. It is also known as professional negligence.

The potential liability is to compensate for damage caused by negligence. The damage may be physical injury (for example a broken leg caused by a negligently designed platform collapsing) and/or economic loss (for example, money lost by a person who lent money in reliance of a negligent valuation over the property securing the loan).

## 2. WHAT IS PROFESSIONAL INDEMNITY INSURANCE AND WHAT DOES IT COVER?

Professional indemnity insurance is designed to cover a business for errors and omissions associated with the advice and services provided to clients. Professional indemnity insurance covers legal liability for claims arising out of an actual or alleged breach of professional duty. The exact parameters of the insurance cover will vary with different insurers and wordings, and it is important to read and review individual insurance wordings.

Professional indemnity policies will, in general, cover a business for errors made whilst advising or servicing clients. It will usually provide cover for not just the damage caused by the mistake, but also the legal costs and expenses of investigating and, if justified, defending the business advice and conduct. Payment of the legal costs associated with defending an allegation of negligence or similar is often the part of the insurance cover most appreciated by an insured business.

Professional indemnity insurance can also include extensions that provide additional protection for:

- reconstituting a client's documents if lost or destroyed ("loss of documents cover");
- loss of money due to dishonesty ("fidelity cover"); or
- the costs of appearing in official investigations by tribunals, ombudsman bodies or even royal commissions ("Inquiries costs cover").

## 3. WHAT IS PUBLIC LIABILITY INSURANCE?

Public liability insurance covers you against legal liability for any unexpected and unintended event that results in damage to property or bodily injury to third parties. The majority of claims arise out of 'negligence' which has been defined as the omission to do something which a reasonable person would do. Whilst the majority of claims arise from negligence they sometimes arise out of nuisance which is the 'interference with the enjoyment of the land'.

## 4. WHAT IS PRODUCT LIABILITY INSURANCE?

If you sell, supply or deliver goods, even in the form of repair or service, you may need cover against claims of goods causing injury or damage. Product liability insurance covers damage or injury caused to another business or person by the failure of your product or the product you are selling.

Businesses insure their product liability risk so that if a member of the public sues them as they feel they have suffered a loss, then they will be insured. For example, if a customer enters a retail shop to inspect goods for sale and slips over on debris on the floor then they may be able to sue the retailer.

For professional consulting firms, 'products' may be limited to tangible elements of reports, stationery, gifts or promotional material provided to clients.