



## Professional Indemnity Insurance (PII)

### IMPORTANT REMINDER

### When to report a PII claim or circumstance

***Please distribute this email to ALL management and all staff who could be involved and ensure they read, understand and agree to abide by your policy's claims notification terms***

#### **WHEN SHOULD YOU NOTIFY?**

PII is a 'claims made' policy which means a claim or circumstance is set against the policy in force on the day you or your firm becomes aware of a claim or circumstance which may become a claim.

You should notify Rowlands & Hames **immediately anyone at your firm becomes aware of a claim (whether received verbally or in writing) OR anyone in your firm becomes aware of a circumstance which may give rise to a claim.**

This is regardless of whether you consider the claim to have any merit or not, and even if the potential quantum is within the policy excess.

Please note that **failure to notify a claim or circumstance to your current Insurer immediately may prejudice your firm's position** and the position of your Insurer. Failure to notify immediately may lead to a breach of your PII policy's terms and conditions and the likely rejection of a claim by your Insurer.

Given it is the PII policy on-cover on the date you become aware of a claim (or become aware of a circumstance which may become a claim) no cover will be provided by your current insurer if it subsequently determines you knew about the potential for a claim before incepting or renewing an insurance policy and had not declared it to the insurer at the time.

**We cannot stress the importance of reporting claims or circumstances immediately – even if you're unsure if a claim will actually be made.**

#### **IN THE EVENT OF A CLAIM OR CIRCUMSTANCE YOU MUST NOT**

- admit liability
- take any action which could prejudice your insurer's position or their ability to investigate a claim
- enter into any claims correspondence
- seek to negotiate, settle or offer a payment
- disclose your Insurer's involvement
- disclose the existence of OR any details of your professional indemnity policy.

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## **IMPORTANT NOTICE**

Upon receipt by Rowlands & Hames, we undertake to notify any claim or circumstance to your insurer between 9am and 3.30pm Monday to Friday (excluding Bank Holidays) to ensure an insurer receives it within their own claims deadlines.

Some insurers stipulate that acceptance of any notification must be received by their own claims department before confirming indemnity. If your policy expires outside of business hours and you have a claim to notify, neither Rowlands & Hames Insurance Brokers Ltd. nor any wholesale placement broker involved in the placement chain, will be responsible for any matters not received or accepted by insurers as a result.

If you have an urgent matter, please contact us by telephone to discuss the position in the first instance.

## **FURTHER READING**

### **What is considered a 'circumstance'?**

Professional indemnity insurance policies contain clauses which say Policyholders must any 'circumstances' which may give rise to a loss or claim against you or your firm.

While this sounds simple in theory, just how serious does a problem have to be before it becomes a circumstance and what are the risks you face if you fail to tell your insurer?

Identifying a claim is easy, you may receive a formal claim in writing or a notice to commence legal proceedings against you or your firm, but deciding what constitutes a 'circumstance' is rather more subtle. It may be no more than a verbal complaint from a client, a job that simply hasn't 'worked out' as well as it might, or you or a colleague may have spotted a mistake in some work about which the client is completely unaware. Equally you don't need to report every minor hiccup in a normal professional relationship to your insurers, if it can be quickly remedied with no negative impact for the client. Getting the balance right in reporting is essential.

In deciding what constitutes a circumstance, it is worth thinking about why an insurer wants these events reported. Where there is an insurance claim the insurer is allowed to take over and 'stand in the shoes' of the insured, a right known as 'subrogation'. This gives the insurer the insured's rights and remedies in law and the opportunity to settle claims early on a commercial basis. Failure to report a circumstance which turns into a claim could affect this ability and mean that the final settlement becomes more complex or costly.

Sometimes insured firms can be reluctant to report circumstances as they fear that it may affect their claims record and impact their insurance premiums. In reality, however, insurers expect (and probably prefer) to see some circumstances from their policyholders. It would be far more of a problem to fail to report a circumstance that subsequently turned into a claim as your firm could potentially find itself uninsured for failing to keep to the policy terms.

On the other hand, if you find you are identifying issues that could be regarded as circumstances on a 'regular basis', it could be that your firm has a problem which needs to be addressed with risk management. Here a thorough review of risk management procedures could prevent claims and make your firm more attractive to insurers in the future. It is best to report and advise insurers of the risk management procedures being put into place to avoid repetition.

**The golden rule is 'if in doubt – set it out' and tell the insurer.**

If you have any doubt at all about whether an issue might be termed a 'circumstance' please advise Rowlands & Hames immediately. We are able to give you guidance on whether the issue needs reporting and will present the facts to the insurer in a clear and unambiguous manner. Speak to your usual Account Director.

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# We are Chartered Insurance Brokers



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