



*WE KEEP YOU GOING*

# Professional Indemnity Insurance

# Who is a Professional?

- Anyone who gives to another person advice and/or services of a skilful character according to an established discipline might be regarded as a 'Professional'

- Eg. Engineer, etc



# How can a Liability Arise?

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- Professional liability arises from the failure to use the degree of skill expected from a person in a particular field
- By law, professionals are required to perform the services for which they were hired in accordance with the terms of contract
- Law of Torts
- Alleged neglect, errors or omissions
- Breach of duty, including breach of duty of confidentiality

# Example...

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- The Insured operated a business as a boat designer and entered into a contract with the claimant to design a river cruise vessel
- It is alleged that several times during her operation, the vessel was dragged on the river sandbank causing injury to her propeller and hull
- The claimant claims that the Insured's design failed to meet their specifications

# When is a professional liable?

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- A professional is expected to use reasonable care to avoid causing injury to his clients in the exercise of his duties.
- Failure to comply with such accepted standard of conduct exposes a professional to liability for damage to another person.
- A wrongful act is established by determining whether a prudent person, while exercising ordinary care, would have foreseen the injury or damage that would have naturally or probably resulted from his conduct
- Violation of duty towards a client by a professional can result in a contract action, or a tort action, or both.

# What can a Liability lead to?

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- In these times of high consumer awareness, clients will not hesitate to pursue a claim if they feel that they have received sub-standard service
- Defense costs will be incurred. Even if the defendant is in the right and the jury eventually passes a judgment in his favor
- Compensatory damages to the claimant
- Claim amounts can go up to crores of rupees
- Financial wreck for the professional/ firm
- Liability cases on the rise in India

# What does a professional do with this Liability Risk?

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- Risk Assessment
- Risk Analysis
- Risk Minimization
- Risk Transfer vs. Risk Retention
  
- **RISK TRANSFER = PROFESSIONAL INDEMNITY INSURANCE**

# Professional Indemnity - What does it cover?

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- Any civil action, suit, proceeding or demand by any person or entity seeking to hold the insured responsible for monetary damages as a result of a wrongful act actually or allegedly committed by the insured
- Judgments awarded against the insured or settlements negotiated with the approval of the ICICI Lombard
- Legal fees incurred in the investigation, adjustment, defense or appeal of a claim



# Professional Indemnity - ICICI Lombard Product Profile

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- **Limit of Liability options**
  - Most attractive option is 1:4 - four occurrences during the policy period thus total limit divided among four occurrences
  - Other options of 1:1, 1:2 and 1:3 also available
  - Indemnity limit (Sum Insured) slabs are as under
  - Min Rs. 50 lac
  - Thereafter in multiples of 10 lacs

## Retroactive date

- Maximum upto 3 years for existing renewal cases provided there is no break in insurance (subject to no known or reported losses on the expiring policy)

# Claims Process

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- Customer calls up at the call center on occurrence of incident, whether or not the customer receives any legal notice
- Call Center notes down the basic information from the customer
  - Date of incident, name of the customer, Policy No., Cause of loss, Estimates of losses, Reporter details, Contact details.
- CSO informs the customer that ICICI Lombard representative would give him a call.
- CSO passes on the information to ICICI Lombard backoffice with details.
- Backoffice authenticates the claim request.

# Claims Process (Contd.)

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- Backoffice appoints the investigator for investigation
- Investigator calls the individual/firms and checks the convenient time for visit
- Investigator checks the progress of the case and checks whether the individual/firms needs legal assistance
- Investigator sends a detailed report to ICICI Lombard giving the details of the liability.

# Claims Process (Contd.)

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- The case is tracked by ICICI Lombard Claims team
- Depending on the nature and progress of the case,
  - Out of court settlement may be an option
  - If not - then wait for the case to conclude
- Claims compensation made on
  - Case award by the concerned court
  - Out of court settlement amount

# What it doesn't cover...

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- Legal liability arising out of libel, slander, false arrest, wrongful conviction, wrongful detention, defamation, etc. and mental injury, anguish or shock.
- Infringement of patent, copyright, trademark or design.
- Designs breaching/ non-conforming with govt/regulatory specifications
- Any dishonest, fraudulent, criminal or malicious act or omission.
- Any liability assumed by contract or agreement which would not otherwise attach in the absence of such an agreement.
- Pure financial loss/consequential loss

# What it doesn't cover...

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- Injury to any person being under a contract of employment or apprenticeship with the insured.
- Deliberate, willful or intentional non-compliance with any statutory provision.
- Fines, penalties, punitive or exemplary damages.
- Deliberate non-compliance with technical standards commonly observed in professional practice, laid down by law, or regulated by official bodies.
- Loss due to non-delivery or delay in the provision of professional service.
- Inappropriate construction, material damage
- Absolute asbestos exclusion.
- War, Terrorism and civil war Exclusion