

Professional Indemnity & your professional services

Why it's essential your professional services definition is accurate.

One of the first hurdles to jump when an insurer is considering cover for a claim under a Professional Indemnity Insurance policy is whether or not the claim arises out of your insured professional services

While this is the same for any policy, it is critical that builders are aware of this issue when the policy is first arranged. Any changes to the professional services during the policy period should also be notified in writing to your broker/insurer as soon as they arise.

The professional services may be project management or construction management. They may be various forms of advice. They may be design responsibilities or designs imposed by contract – e.g. via a D&C contract or novated by the principal. Part or all of the professional services may be provided in-house or by external consultants.

The professional services may be incidental to the construction activities and fall within that grey zone of services 'normally undertaken by a building contractor'.

A separate fee may be charged for specific services. Alternatively, the cost for professional services may be incorporated in the cost of the overall project.

In a Professional Indemnity Insurance policy, the description of your professional services is:

- Worded by the insurer in the policy schedule, based on the information provided in the proposal and broker's submission;
- Linked directly to the proposal completed by you; or
- Pre-defined in the policy wording.

It doesn't matter how the description is presented, only that it is accurate.

For a builder, the professional services being provided can sometimes be difficult to describe over a range of different projects and contract types.

If the professional services are defined in the policy and seem exhaustive, we would still carefully check the definition with you. E.g. the policy may only cover professional services provided by a properly registered engineer, architect or surveyor. This may not suit your business where professional services are provided by experienced staff members.

Once the description of your professional services is accurate in the policy schedule, the policy and endorsements also need to be checked to ensure that specific professional services are not excluded. E.g. a policy for a building inspector may be described broadly in the policy schedule, but high risk activities such as pest inspections may be excluded by endorsement.

Professional Indemnity insurance claims in the construction industry tend to be complicated and high value. The policy itself is considered 'definition driven'. Therefore, it is essential that your professional services are defined properly.

If you need help understanding your policy or require a policy with broader cover, please do not hesitate to contact our office.

For more information contact MBIB Ph: 1800 150 888