



PROFESSIONAL INDEMNITY INSURANCE

Ctrl Z. Quick-thinking insurance to undo costly errors. For science & technology professionals

Clients often have high expectations of their suppliers and consultants – and rightly so. If your knowledge-based business offers professional advice, services or consultancy, you have a duty to use reasonable care and skill in the conduct of your operations.

Why do I need Professional Indemnity insurance?

These days you may not win contracts without it - especially when working for larger companies or some government operations like the NHS, who specify PI requirements to mitigate their own risks. Day to day operations could expose your business to allegations of negligence, breach of contract, loss of clients' documents/data, intellectual property infringement or defamation.

What if...

- A client is **dissatisfied** with your work or advice and withholds payment?
- You're sued for **breach of contract** – perhaps for more than the contract value?
- A dispute over service levels starts to **cost you money** and impacts your bottom line?
- A high-profile dispute threatens to cause irreparable **damage to relationships** with existing clients?

La Playa Science & Technology
Insurance with Intelligence

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How will Professional Indemnity insurance protect my business?

- **Indemnification and defence costs:** legal expenses cover for disputes over mistakes or failures in your products or services. Your insurer can also help defend you - right through to the High Court, if necessary. Even if you lose, the policy will still cover you for damages you are liable for (subject to policy indemnity limits) and legal costs.
- **Rectification:** often the insurer may cover the cost of fixing your mistake to avoid a larger claim being made. Fixing a problem before it escalates into something larger is simple common sense.
- **Outstanding fees:** if a dissatisfied client threatens legal action and defaults on a payment, outstanding fees may be paid by the insurer under your PI policy, if it prevents the client making a claim against you for professional negligence.

Managing your risks

Claims can arise not only from simple mistakes or miscalculations, but also from areas such as lack of supervision in the business or a breakdown of communication. The chances of a claim being brought against you can be reduced by adopting some simple measures:

- Pre-agreed contract terms with precise scope of work with clients and sub-contractors
- Client and contractor vetting for professionalism and credit-worthiness
- Limits on your liability in contracts – be clear about what you do/don't provide
- Good records of correspondence and meetings
- Written references for new staff, and check the provenance of any Intellectual Property they bring
- Staff training in policies and procedures
- Check systems & operation procedures – particularly where data or money is handled
- Website maintenance and security – especially if you operate a chat room or forum

Case Studies

Counter-claim following payment dispute

An international software firm was asked to deliver a large software and hardware implementation for a window manufacturer. The implementation was eventually completed, but only after the client had requested significant additional functionality. The client then appointed a litigation expert who alleged that there were 650 faults with the implementation, entitling the client to rescind the contract.

The software firm, with full support of their insurer, subsequently sued for all outstanding fees, viewing their customers' claims as unfounded. A multi-million pound counter-claim was brought by their customer, which was fully defended by the insurers. Although the case was struck out by the courts, the insurers paid the software firm's defence costs in full.

Intellectual Property

A company developed a computer based training system planned for release in the UK and Europe. The system's name was registered and the training of the company sales force was about to begin when a colleague discovered a Swedish company using the same name. They had not registered it but had been using it widely in Europe. The PI insurers paid for the product to be renamed and also the subsequent reprinting of the promotional materials.

To talk through your Professional Indemnity insurance requirements, contact:

La Playa: Insurance with Intelligence

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