

Case Study – The Architect

Background

Most clients see Professional Indemnity Insurance as a bit of a “black art”. Even insurance brokers and other insurance professionals rarely arrange their own Professional Indemnity cover, but rely instead on the services of a specialist broker such as PI Expert to advise them.

PI Expert believes in providing clients with a high level of service and detailed advice. This doesn’t just apply at the time of taking out the cover, but also at the time of difficulties too. This is not the case with many of our competitors, as this case history illustrates only too well.

The client, an Architect, was insured with a good quality insurer via a well known national broker who held themselves out to be specialist in the field of Professional Indemnity and Commercial Insurance for small and medium sized businesses.

The Architect was very happy with his cover as the premium was extremely competitive and his main motivation for buying the cover was to comply with the requirements of RIBA in order that he could trade. He was a very good Architect with some 30 years claim free history and specialised in drawings for small domestic properties, extensions and loft conversions.

The Architect restricted his work to the provision of drawings and designs only and never got involved in project management, site supervision or recommendation of builders and the like. He would however on occasion assist a client who had a problem with a trade professional who was working on a project that he had designed. This was a service that he tended to offer without charge as part of his commitment to a client and their project.

During the course of his career the Architect assisted many such clients with minor disputes with their builders and helped most of them to resolve the issues and the builds were, in the main, completed with all sides being happy with the result.

Circumstances

The year in which this incident occurred was a year when many builders faced financial problems and there was a wave of firms which collapsed or folded during the recession. During the year the Architect was contacted by two specific clients who had problems with their builders, both builders firms eventually walked off site and liquidated their businesses.

Just before renewal in May, the client received a claim form one of the disaffected clients who had lost his builder. Although the Architect had neither recommended the builder nor accepted responsibility for site supervision or project management, his client issued proceedings against him for the loss of the money that he had given to the builder for the work to be done.

The rationale for this was that as the builder had gone bust there was no hope of recovering this money from the builder and so on a no win no fee basis the client decided that his best chance of getting his money back was to sue the Architect!

The paperwork clearly showed that there was no case to answer and insurers duly accepted the claim. The Architect received renewal terms from the insurer at a reasonable premium and duly renewed his policy with our competitor.

About three weeks after renewal the Architect received a solicitor's letter putting forward a claim from a different client. The circumstances were almost identical to the other claim which had been submitted so the Architect was confident that it would be accepted by insurers and reported it accordingly.

What happened next shocked the Architect. The extremely reputable insurers decided that as he had been asked to help track down the builder after they had walked off the job, that these were circumstances that could give rise to a claim under the Professional Indemnity policy and therefore should have been declared to them at renewal.

The client argued that there had never been a suggestion that his work was inadequate until he received the solicitor's letter after renewal. Insurers however were adamant. The circumstances were material and should have been declared at renewal. They refused the claim and voided the policy back to renewal.

The Architect immediately appealed to his broker (our competitor) for help. The response he received was short and to the point. The claim had been rejected and there was no help available. To make matters worse, as the policy had been cancelled by insurers due to claims and non disclosure, the broker (who actually only dealt with one insurer anyway) was not able or prepared to attempt to find alternative cover for the Architect in order that he could continue to trade.

The Architect contacted a number of other brokers all of which told him that as his policy had been cancelled by insurers due to non disclosure and claims that he was now uninsurable.

How PI Expert helped

At this point the Architect contacted PI Expert to see if we could help. Immediately we talked to a number of insurers to explain what had happened and to see if they might be prepared to underwrite a new Professional Indemnity policy for the Architect. Within an hour we had reverted to the Architect with a quotation which was for compliant cover, acceptable to RIBA, and at a very competitive premium and full retroactive cover (excluding the previously reported circumstances). Needless to say the Architect was delighted.

PI Expert also felt that the Architect had been very shabbily treated by his broker and insurer. We agreed with the client that the first suggestion of a potential claim was the solicitor's letter that was received after renewal. There was no way therefore that the claim should have been rejected or the policy cancelled. In short the Insurers actions had unfairly prejudiced the Architect and fell short of the FSA requirements to treat customers fairly.

Accordingly we assisted the client by drafting a letter of complaint to his insurers and helped him to successfully argue that the claim should be dealt with under his previous policy. We also obtained written confirmation from the insurers that the policy had been incorrectly voided by them. This was more important than compensation because it opened up the insurance market for the Architect to enable PI Expert to seek terms from all insurers at renewal, rather than just from the limited market prepared to consider distressed cases.

Finally we helped the Architect to make a complaint to his previous broker in respect of the lack of help and support provided to him. He received a small compensation payment for the duress that he had experienced.

Result

During the year Insurers had successfully defended the two claims that had been made against him. Unfortunately the previous broker had arranged a policy where the excess applied to defence costs so regrettably the client paid two excess payments of £1,000 each, however this roughly equated to the savings PI expert had been able to achieve on his Professional Indemnity insurance premium and the compensation paid by the previous broker.

At renewal the Architect received terms for his Professional Indemnity renewal from PI Expert at a lower premium than he had paid his previous broker and the policy was renewed with us.



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