

## Case Study – The Utility Consultant

### Background

Many clients wonder about the requirement for buying professional indemnity. We are often asked why they need to buy what seem to be very significant levels of cover when their own remuneration from the work that they do is limited to a few hundred pounds for each client.

One such example was a Utility Consultant who came to PI Expert to buy professional indemnity insurance because he had a client who was insisting that he held both Professional Indemnity and Public Liability insurance up to the value of £1M each.

The Utility Consultant's job was very straight forward – he visited individuals, small businesses and companies and evaluated the cost of the electricity and gas bills. He then researched the market to see if he could find a contract that would save his client money on their monthly bills. If he was successful and the client went ahead with his recommendation then he charged a £500 fee. Surely, he argued, the limit of any liability he might have was no more than the contract value of £500?

Although the Utility Consultants fees were low in comparison to the money that his clients were saving, he faced a number of significant risks as was to be proved some five months later when he received a Professional Indemnity claim from a client.

### Circumstances

The claim related to some advice that the Utility Consultant had provided to quite a large factory who had switched their contract to a new energy provider under a five year deal. The deal had saved the Factory Owners £17,000 a year, for which the factory owners were very grateful, until they received a quotation from their old supplier some four months later.

Because energy prices had fallen in the intervening period the new offer would have saved them a further £23,000 per year, but only tied them into a two year contract. They were unable to switch contracts again without paying a cancellation penalty of many thousands of pounds.

There was sufficient evidence to suggest that the advice that the Utility Consultant had given the factory owner was valid and represented the best deal at the time. He had also pointed out the tie in on the contract and the penalties for early withdrawal on the contract, however this did not stop the owners of the factory from instructing solicitors to start proceedings to recover damages from the Utility Consultant.

### How PI Expert helped

A claim was made under the Professional Indemnity Insurance policy arranged by PI Expert and solicitors were instructed immediately to enter a strong defence. PI Expert worked with the Utility Consultant, the solicitors and the insurers. Together we were successful in defending the claim, however the costs of the defence amounted to just over £30,000.

The policy that PI expert had arranged was on the basis of costs being payable in addition to any damages awarded and the excess did not apply to the defence costs. This being so the entire costs of £30,000 incurred in defending the claim were covered in full by the professional indemnity insurance policy that the client had initially been reluctant to buy.

## Result

The total cost to the client was just the cost of his premium – less than £200. Needless to say at renewal, when there was no longer a contractual requirement to renew his policy the client was very happy to continue buying Professional Indemnity Insurance from PI Expert.



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