

Professional indemnity insurance at a glance

What is professional indemnity insurance?

Anyone can make a mistake – but if your business is found liable for negligence, the costs can be financially devastating. Not only can it lead to an expensive lawsuit, but your business' hard-earned reputation may be damaged as a result.

That's why professional indemnity insurance matters – for help protecting your assets and brand if your advice causes a client to take legal action against you.

"Professional indemnity insurance helps cover the cost of legal action due to your professional advice."

Australian Government, Business.gov.au

Who should consider it?

Professional indemnity insurance is mandatory in some industries, such as medicine, accounting, law and financial advisers – with the requirements differing from state to state.

But even in cases where it's not required by law, it's recommended for anyone who is providing professional services or advice in exchange for a fee – like, graphic designers, IT consultants and more. Regardless of your legal obligation, it's often a customer requirement that you have this cover in place.

Did you know?

$1.109 M

The total value of professional indemnity claims in the 2019 underwriting year in Australia.

(APRA, National Claims and Policies Database, December 2020)

18,799

The number of professional indemnity claims paid in the 2019 underwriting year.

(APRA National Claims and Policy Database, December 2020)

768,000

The number of professional indemnity risks underwritten in Australia in 2021.

(KPMG General Insurance Insights, December 2021)

What can it cover?

The primary purpose of professional indemnity insurance is to provide cover for liability arising from a breach of professional duty.

Depending on your policy, professional indemnity insurance can cover:

Type of cover	Potential benefits
Civil Liability	Civil liability to a third party arising out of the conduct of their professional business.
Inquiry costs	The cost of defending an inquiry by a regulatory body into the professional conduct of the insured.
Defence costs	The costs involved in defending a claim triggered by the policy.
Fidelity cover	Direct financial loss of the business caused by the dishonest or fraudulent conduct of an employee which is first discovered during the period of insurance.
Advancement of costs and expenses	Additional costs and expenses incurred during a claim.

What usually isn't covered?

Exclusions, the excess you need to pay and limits of liability can vary greatly depending on your insurer. Policies generally won't include cover for:

- Commercial liabilities
- Liabilities which results from fraud and dishonesty
- Pollution
- Unpaid fees

Case Study

Michael is an engineer who designs the supporting foundations of a residential property. He makes an error with the site calculations – which leads to the slab cracking and damage to the property of the owner. His company is liable for this loss, which could be anywhere between $150,000 up to the full value of the house.

But because Michael has professional indemnity insurance, he's covered for this amount – as well as any legal expenses if the matter goes to court.

Contact us today

Brendan Wright
0403 605 692
bwright@mclardymcshane.com.au
ACN: 124320878 | **AR No:** 1309874
McLardy McShane Corporate

Steadfast

Important note

This general information does not take into account your specific objectives, financial situation or needs. It is also not financial advice, nor complete, so please discuss the full details with your Steadfast insurance broker whether this type of insurance is appropriate for you. Deductibles, exclusions and limits apply. This type of insurance is issued by various insurers and can differ.

is an Authorised Representative of McLardy McShane Insurance Advisors ABN 14064465309 AFSL 232987