

# Professional Indemnity Insurance

Professional Indemnity Insurance (PI) provides protection for your business against claims by third parties alleging they have suffered a financial loss as a result of your (or your alleged) negligence or a breach of professional duty.

## What's a PI Claim?

PI claims for financial loss can be made against you for a number of reasons:

- ◆ errors or omissions in the provision of your Professional Services
- ◆ faulty designs, inaccurate advice
- ◆ misleading & deceptive conduct
- ◆ breaches of intellectual property rights
- ◆ breaches of contract
- ◆ fraudulent & dishonest acts
- ◆ defamation
- ◆ loss of or damage to documents
- ◆ fines & penalties

## Am I A Professional?

A professional is anyone who:

- ◆ exercises or professes to have specialised knowledge or skills;
- ◆ owes a duty of care to a client or third party in the performance of their professional work; or
- ◆ is paid a fee for their advice, design, care services.

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## Claims Examples

*The following real life claims examples demonstrate some of the protection that a Professional Indemnity Insurance Policy can provide for your business.*

### **Real Estate Agent**

A deficiency of over \$350,000 was found in a Real Estate Agent's Trust Account. A former property manager had failed to pay rental income to some landlords whilst overpaying others. The actions were found to be negligent, but not fraudulent. The unpaid landlords made a claim alleging a breach of duty. The agent was unable to recover the overpaid monies. Coverage was granted under the policy, with Berkley paying in excess of \$580,000 in compensation and defence costs.

### **Landscape Architect**

A landscape architect designed the redevelopment of some Wetlands and project managed portions of the redevelopment. The Insured's design included the use of a specific type of tree to form a screening between the wetlands and adjacent factories, however it did not include a root barrier. The insured was joined in a claim which alleged the Insured's negligent design (type of trees, spacing, no root barrier) led to damage to adjacent factory walls and floors. The matter was ultimately settled with the Insured contributing \$275,000. Berkley paid \$250,000 plus defence costs of \$145,000 on behalf of the Insured (the insured contributed their excess of \$25,000).

### **Architect**

A claim was brought against an architect alleging a breach of contract on the basis that the architect's designs amongst other things did not comply with Quality Standards. The matter settled for \$125,000 with Berkley paying \$100,000 plus \$20,000 defence costs.

### **Accountant**

An accountant was engaged by their client for a number of years as their advisor. Later in the relationship the accountant was asked to negotiate a partner buy-out. Approximately two years after the buy-out the entities were investigated by the ATO which resulted in a finding the client had failed to pay the correct payroll tax. The client was required to pay the outstanding tax plus interest. The client brought a claim against the accountant alleging their failure to factor in pending payroll tax liability resulted in the client paying an increased price for the buy-out. The matter settled for \$28,000 and was subject to approximately \$10,000 in defence costs. All of these costs were paid by Berkley.