

Insure Clarity Contracts

William Hulse, Managing Director of NAHT Partner LFC Graybrook, explains the importance of making sure you have the cover you need.

It is a well known fact that insurers will avoid meeting claims where they consider material facts have not been disclosed prior to or during the Contract period. The supply of insurance is not unlike any other contract in that it relies upon both parties understanding the terms on which the services are supplied.

The obligation for the insured party is considerable and relies upon them to not withhold information that would effect the terms on which the insurance is arranged, even when this is unwittingly. In consultancy this could be the range and scope of activities or simply the nature of the advice being provided; it is after all in these key areas insurers are being asked to cover negligent advice which might give rise to future claims.

Consider the Consequences

The risk insured under Professional Indemnity Cover is one of financial loss suffered by the recipient of inappropriate or negligent advice from someone that is considered to be both qualified and competent to provide advice on subjects for which they are engaged. The financial consequences of inappropriate advice differ greatly depending upon the subject matter involved. Some will have little or no financial impact while others could have catastrophic consequences. The responsibility is with the insured party to make sure their insurers fully understand the nature of the advice involved, and accepts the risk on that basis. The insurers need to know about any changes for cover to be maintained at the required level. Disclosure of 'relevant information' can extend to the qualifications held, the nature of clients to whom advice is being given, and if there are any contractual obligations which impose greater than normal risks on the insured party. Insurers can not insure what they do not know.

Insurers also have a duty to ensure the terms on which their cover is provided is clear, not misleading and in a language that the policyholder can understand. The obligation to deliver clarity on their terms and conditions exists prior to commencement of the insurance contract so that insured parties can fully understand the nature and terms of cover prior to purchase. There is little purpose investing in insurance protection where either the insured party has failed to disclose all they need to, or where insurers have failed to provide customers with clarity on the cover being provided.

To contact LFC Graybrook to discuss professional indemnity cover, call 01245 321185, or email graybrook@lfcinsurance.co.uk.

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