



— BACK TO — BASICS

article three: “Notification of Claims”

A SERIES OF ARTICLES THAT PROVIDE THE FUNDAMENTAL PRINCIPLES OF PROFESSIONAL INDEMNITY INSURANCE

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“Notification of Claims”

The Professional Indemnity Policy is an insurance contact between you and the Insurers setting out the terms and conditions on which they have agreed to provide cover to your company.

While you should abide by all of the policy requirements, there are a number of conditions that cut to the heart of the cover provided and failure to comply with them could severely impact on your position. Key amongst these conditions, are the Claims Conditions which set out the obligations regarding the notification of any claims or circumstances.

How do I go about notifying a claim?

Once you have determined if you are in receipt of a claim or circumstance under the policy, the next step is to notify the matter to your Insurers. We at MFL Affinity have a dedicated in-house Claims & Risk Management team, which will be able to take you through the process, ensuring that the process is as painless as possible.

However, it is important to keep these conditions in mind when dealing with the notification of claim.

What are the Notification Conditions and what do they mean for me?

As with the definition of a claim, the claims conditions under the policy can vary from Insurer to Insurer. However, generally speaking, they can often be along the following lines:

[You] shall give notice to the [Insurer] as soon as practicable and during the Period of Insurance:

- a. if any Claim;
- b. the receipt of any notice from any person of an intention to make a Claim.;
or
- c. the discovery of reasonable cause for suspicion of dishonesty or fraud

The Conditions themselves can be broken down into three key elements, which we will deal with in turn:

1. You shall give notice

This is an obvious one, given that Insurers will never be in a position to assist if they have not been advised of the claim or circumstance to begin with. Again, our Claims & Risk Management Department will assist with this.

2. As soon as practicable

While the exact wording of the policy will vary, the majority of Insurers require claims to be brought to their attention within a reasonable period of time. What can be considered a reasonable period of time is never set in stone and would be considered on a case-by-case basis. As a result, it is important to ensure that matters are raised quickly as any delays could adversely impact on the cover provided under the policy.

For example, you received a claim from Client A in February. If the matter is referred to Insurers in February or March, then it is unlikely that Insurers will raise any issues. However, if the claim isn't notified until December, it could be argued that the delay has affected the way in which matters can be dealt with.



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3. During the Period of Insurance

In addition to notifying claims or circumstances to Insurers as soon as possible, they must also be raised within the Period of Insurance. As you will be aware, professional indemnity insurance renews on an annual basis and, as it is a Claims Made (see separate Guidance Note) policy, it is the policy in force at the time a claim is made that would deal with the claim. However, this means that issues can arise if the claim is not notified within the policy period.

By way of example, Company A's policy ran from 1 January 2015 until 31 December 2015 with Insurer I but transferred the

business to Insurer II at the start of the next period (1 Jan 2016 – 31 Dec 2016). In March 2016, the Company attempts to notify a claim to its current Insurers but during the course of investigating the matter, it was noted that the Claim was originally made in September 2015 and should have been notified at that time to Insurer I. In most cases, this can leave Insurer II with the right to decline the claim. At the same time, Insurer I may also be able to decline the claim on the basis that it wasn't notified to them within their period of insurance.

Key Points

- It is important to ensure that any claims or potential claims

are notified to your Insurers as soon as you become aware of them.

- In any event, matters should be reported before the policy renews.
- While it can be difficult to determine if something should be notified, we are happy to discuss matters and advise on the appropriate course of action.

If you have any doubts as to whether or not the matter should be notified our dedicated in-house Claims & Risk Management team are available to provide advice and assistance and they can be contacted on the details provided.

If you would like to discuss the issues raised in this article or would like further information please contact Darren or Joe.



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- Notifications
- Settlement & Insurers Approval
- Duty to Cooperate
- Disputes & the Control Clause
- Reservation of Rights

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