The Professional Indemnity Schedule explained

Your schedule forms the basis of your Insurance contract together with the policy wording and proposal documentation. It sets out information specific to your policy and is usually the final document received in the new business or renewal process from your Insurance Broker after you have paid the annual premium. It is not another Tax Invoice or change to previously negotiated terms. It is important to carefully read this document to ensure that the information is correct and as negotiated at the time of quotation. It is too late to change the document once you have a claim, so it is important to consider the detail at the outset.

Key features of your schedule, which will appear on your Insurer's letterhead include:

Class of Insurance – the type of Insurance you have taken out. This is where the schedule should show "Professional Indemnity Insurance"

Insured name – The name of the Person's / Organisation covered under the insurance Contract. Disclose all present, past entities whether related or not related as Insureds on all proposal forms each year. Ensure they are all shown as Insureds on the schedule. This is essential, if the policy is not for you or the names of your companies you cannot utilise it in the event of a claim.

Indemnity Limit – The Indemnity Limit or Sum Insured refers to the maximum amount payable under the policy arising from any one claim and all claims in the aggregate. The Indemnity limit will either be 'inclusive' or 'exclusive' of defence costs and expenses. It is preferable to have a costs 'exclusive' Indemnity limit, i.e. defence costs are payable in addition to the Indemnity limit. This is not always possible for all occupations and some insurers may be only willing to offer a costs inclusive indemnity limit for some 'hard to place' categories of insurance.

Your schedule will usually mention the number of reinstatements of the indemnity limit or how many times the limit is aggregated. One or two reinstatements may be granted, best-case scenario is a policy with unlimited reinstatements. Once the policy limit has been exhausted in the event of a claim, it will then be reinstated for use in the event of another claim during the policy period. No one-claim payment however can exceed the policy limit.

Retroactive Date – This is the date from which acts, errors or omissions of the insured are covered. It is best if you can have an unlimited retroactive date, excluding known claims and / or circumstances. Otherwise request the date you started the business. Once again, what an insurer is willing to provide is dependent on your occupation, activities and previous claims experience.

Excess / Deductible – the amount or portion of the loss that you will be required to pay or hold yourself in the event of a claim. You may have requested a certain size excess or have particular excess imposed by your Insurer depending on the nature of your risk.

The best case scenario is to have an exclusive of costs excess which means that you will not have to pay the excess in respect to costs and expenses incurred by the insurer in defending, investigating or settling any claim. The excess is then only applicable to the compensatory damages component of the total claim. Often, however as for the Indemnity limit, Insurers are only willing to offer terms on certain risks with a costs inclusive limit, i.e. you would need to pay the dollar amount of the excess listed whether the sum relates to defending the claim or the compensation itself.

Geographical or Territorial Limits – restricts cover to claims resulting from professional services performed by the insured in certain countries. A broad clause will provide cover Worldwide. Most often standard Australian Insurance policies exclude work performed in USA or Canada. If required, your broker may have been able to arrange for this exclusion to be removed from the policy for a premium loading.

Jurisdictional Limits – refers to the applicable court boundaries that can determine a ruling under the policy. It may be limited to Australia or very broad and be Worldwide. Most Australian policies exclude USA or Canadian Jurisdictions due to the costly court awards.

Policy Wording – This details the wording applicable to your policy. It may have changed since the last period as Insurers often update the wording. Ensure you have a copy of the corresponding wording as this also forms a part of your contract.

Endorsements – Those listed on your schedule detail changes in the terms of the Insurance wording from the standard to which it refers. These need to be read in conjunction with the wording in order to understand the impact to you of an alteration. Endorsements can enhance the scope of the wording or detract from it, depending on the intention of the Insurer. It may be that you have not meet certain conditions and the Insurer needs to restrict the wording, or that your activities require additional notation or conditions.

Premium – The annual premium and statutory charges applied by your Insurer will be listed here, but the Insurer schedule will not detail the broker fee. You will need to refer to the Tax Invoice for this detail.

We cant emphasis the importance enough of reading this document when it is received to ensure it is as you expect it to be and to give you the best chance of your policy responding in the event of a claim. If you are unsure of the effect of a policy clause or endorsement on your business activities, ask your Insurance Broker before you continue to undertake the tasks. Seek clarification and understand the documentation, after all you have paid for it and would like the policy to work for you.

This advice and comments are provided in the capacity as your insurance broker and should not be construed as legal advice. Separate legal advice relating to the interpretation and implication of this article for your individual circumstances should be obtained.

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