

## **Your business, your client, your reputation**

As people are now more willing to turn to the law when dissatisfied with service, our work environment has become increasingly litigious.

Professional Indemnity (PI) Insurance protects your business against claims made by dissatisfied clients, in particular those who have suffered a financial loss. PI insurance covers you for the cost of defending allegations of negligence in the service or consultation you have provided.

Without PI insurance you could be liable for thousands of pounds worth of legal fees and compensation payments. Professional indemnity protects you and your client in the event that the client sues for compensation following service provided.

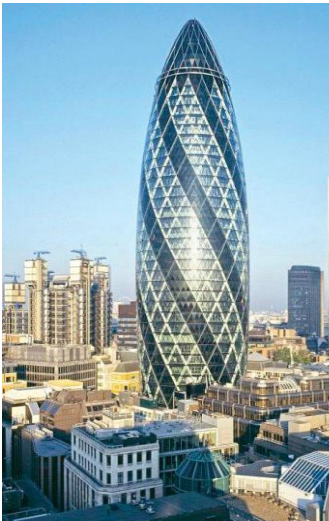
## **Do I need PI Insurance?**

Professional Indemnity insurance is a legal requirement for many within the financial services industry, but not, as yet, for all commercial finance brokers.

The FCA took over the regulation of the consumer credit act in 2015 and in 2016 the FCA extended the Mortgage Credit Directive (MCD) to include the sale of a number of previously exempt mortgages such as Buy to Let and Second Charge Lending which means that anyone who advises on or sells these products must now hold PI.

Many lenders are responding to the new regulatory regime by insisting that the brokers they work with hold appropriate PI cover. If you sell any form of add on insurance such as extended warranties or loan protection you are already required by the FCA to hold PI insurance for these activities

The Collegiate Finance Brokers policy includes FCA compliant cover for insurance sales as well as additional credit broking activities.



## **Claims made**

Unlike some other insurances, a PI policy responds in respect of “claims made” against the professional and reported to the insurer during the policy period, rather than “losses occurring” during the policy period. For instance a PI policy might respond to a claim made against the professional arising from a mistake made five or six years ago.

This means you must have an active PI policy at the time a claim or allegation is made against you. It is important to remember that once a PI policy expires you can no longer make any claims against it.

Because of the nature of the business, there can often be a delay between the time of the client taking the loan or the lease, and their discovery of their dissatisfaction with it, which leads to the claim. If you change insurers it is important to make sure your new policy covers you for claims that may arise from work you undertook in the past.

If you cease trading it may be worth continuing your PI insurance for a period afterwards this is called “run- off” insurance.

### Typical PI Claims against finance brokers

- Mis-selling a financial product
- Lack of clarity about commission fees
- Employee dishonesty
- Errors or omissions in processing forms
- A Consultant not fully understanding their client's organisation and advising on unsuitable measures
- Missing a client's deadline for completion of work
- Failure to put forward realistic, accurate or complete cost estimates
- Delay and disruption to contract schedules, caused by negligent delays in meeting agreed deadline date

### Claims Service

PI is very different from other insurances because a professional's reputation and balance sheet can hinge on the defence of a claim against them. The market norm, where a claim is made against a professional, is for the professional to notify their broker, who then notifies the insurer. The insurer may then appoint outside solicitors to consider the professional's defence of a claim, the solicitors then proceed to defend the professional on behalf of the insurer.

At Collegiate we do things rather differently. In the first instance, the notification of the claim is made direct to us. Our in-house claims team will then take over the claim and offer you considerable expertise right from the start.

### Know your limits

#### Limit of indemnity

At Collegiate we offer cover for Finance Brokers from £100,000 - £3,000,000 on an aggregate basis.

#### Excess

The excess is the first part of any claim to be paid for by the professional – excesses start at £750

#### Defence Costs

A PI policy not only covers a professional against an award of damages by a court but it also covers the legal costs of the professional's defence of the action (whether successful or not).

Unlike most insurers Defence Costs do not usually apply to your excess, or limit of indemnity – this means whichever limit you select you can be sure that it won't be eaten up by expensive defence costs.

### Why choose Collegiate?



At Collegiate we have developed a dedicated PI policy for Finance Brokers, covering core activities including; vehicle finance, asset/equipment finance, mortgage broking, second charge loans. Cover can also be extended to include associated insurance sales.

Our PI Policy has been specifically designed to protect the unique relationship you as a professional adviser have with your client.

#### How do I get a Quote?

To receive a quotation from Collegiate visit our website and download our Finance Brokers proposal form. Alternatively call **020 7459 3470** to discuss your PI needs.

[www.collegiate.co.uk/underwriting](http://www.collegiate.co.uk/underwriting)

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