

## How do claims notifications and retrospective coverage work?

Professional Indemnity Insurance (PII) is very different to other types of insurance, in the sense that the policy will be underwritten on a 'claims made' basis.

**Most, if not all policy wordings, will invariably have some form of the following wording included:**

- Claims must be notified to the insurer during the same policy period in which the claim was first made against you.
- Circumstances which you become aware of, which may give rise to future losses should also be notified, regardless of whether you believe there is any wrongdoing on your part or not.

**This is the important part** - once a claim or event or has been notified to an insurer, they have an obligation to see that event through from start to finish, regardless of whether they continue to hold the PII policy now or not.

### Here is an example

You make your current broker/insurer aware of a potential complaint/accusation from a client which may give rise to a future loss, a few months before your policy is due for renewal.

The broker/insurer acknowledges the incident and informs you to wait to see whether anything develops over the coming months.

Nothing develops and at renewal you decide to move broker/insurer as you have received a better option elsewhere.

If you are told when lapsing a policy at renewal that any previous incidents logged will no longer be covered if you move insurer, that would be incorrect.

Not all brokers are financial lines specialists and so do not necessarily understand how a retrospective policy operates.

### And here is why

If, say six months down the line, the client who initially made the complaint/accusation decides to pursue and claim against you, then this would be picked up by the insurer that was notified at the time and not the new insurer you have instructed from renewal.

If this situation were to happen, your new broker can be appointed to liaise with the previous insurer on your behalf to resolve the situation.

### What is Retrospective Cover?

A retroactive date is a date from which you have held uninterrupted PII cover (even if you have changed insurer during this time) or a date in which the insurer has agreed they will cover you from.

It agrees to cover you for services previously undertaken prior to the policy start date. However, any claims that arise prior to the retroactive date would not be covered by the insurance policy.

If you feel trapped with a broker/insurer that you are not happy with but are worried about leaving because all your business operations are currently covered with them, having retrospective coverage with your new insurer will help ensure a smooth transition.

**UKGlobal Bristol are Financial Lines specialists. If we can be of help with your professional indemnity insurance, or if you have any queries regarding retrospective cover, please contact:**

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