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PI PROFESSIONAL
INDEMNITY



Since 2018 we have seen the Professional Indemnity insurance market harden and this has been especially so in the Design & Construction Industry where firms have seen premiums increase by 20-40%, and in some cases as much as 400%!

Insurance markets cycle from hard to soft, which in turn impacts commercial businesses. Where we have been benefiting from 'soft' market conditions for more than a decade, the market has been hardening.

A hard market is categorised by limited capacity. When Insurers have less desire to grow and will be considering their book of business, they may decide to withdraw products from the market. Less insurers in the market means the remaining insurers will push up the premiums to cover the potential of more losses and businesses are often subject to stricter standards or policy terms.

In a review carried out in 2020, Lloyd's established there were several members that were not charging enough premium to cover claims. This was likely a result of the insurance market softening too much. Lloyd's encouraged their members to consider premium increases for sustainability.



We are aware of almost a dozen insurers that no longer support UK construction PI risks. Underwriters are more cautious about certain constructions trades and are looking for 'clean risks' with a good claims history.

Proposals are now being declined that would have previously been readily accepted at poorer terms.

The main issue we are seeing is that Limitations are being introduced on broad policy wordings. Unlimited reinstatements might be unavailable, but this means that insurers are restricting cover to a finite number or even a single aggregate limit. Where unlimited reinstatements are available, these are few, and are only available to a small number of trades within the construction industry that are considered to be the lowest risk.

Policy coverage restrictions, with a major focus on cladding and fire safety claims are increasingly common. Alternatively, coverage is restricted to an aggregate limit, with no cover for consequential financial loss (only rectification costs are covered).

Some firms are struggling to obtain any viable insurance terms. The COVID-19 pandemic has also impacted the market, although it's too early to say what the full implications will be.

Although this is not a consolation for the increased costs and the limited PI covers the construction industry is seeing we hope this goes some way to explaining why the changes are happening.

