



THE CHANGING CULTURE OF BLAME

TODAY'S AGENDA

#1

Broker PI claims – Who? Why?
How? When?



#2

Is your own cover good
enough?

#4

The life of a claim

#3

New risks and the same old
ones

#5

Q&A

INCREASING FREQUENCY OF CLAIMS AGAINST PROFESSIONAL ADVISORS

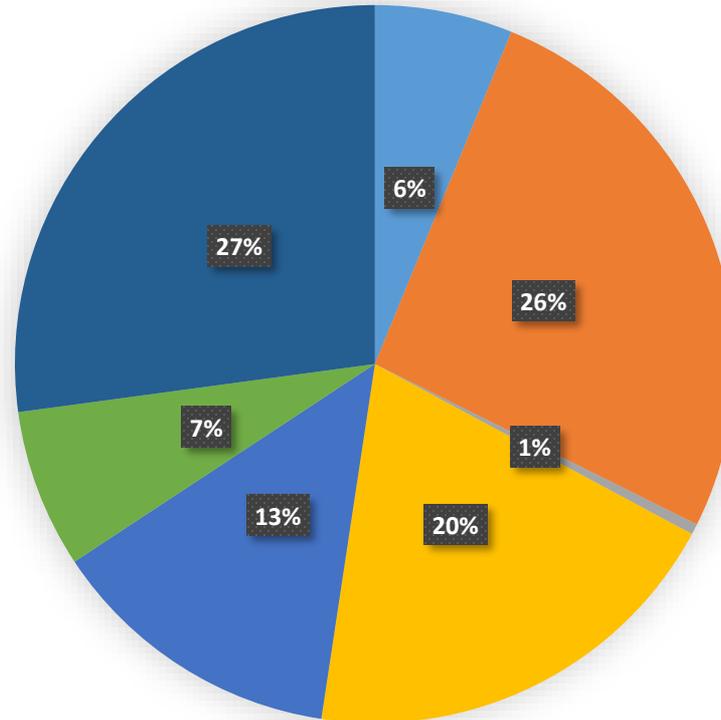


- Economic conditions
- Insurer claims behaviours
- Increasing litigiousness
- Lawyers seeking new income streams
- Publicity of court awards against advisors



NOTIFICATION BY CLAIM TYPE

Class of Business



■ Household Insurance

■ Liability Insurance

■ Marine Insurance

■ Misc. Commercial Insurance

■ Motor Insurance

■ Other

■ Property Insurance

GRIFFITHS & ARMOUR'S TOP 6 COMMON CAUSES OF PI CLAIMS AGAINST INSURANCE BROKERS

1 Inadequate communication of salient terms & conditions

2 Lack of real understanding of client's business

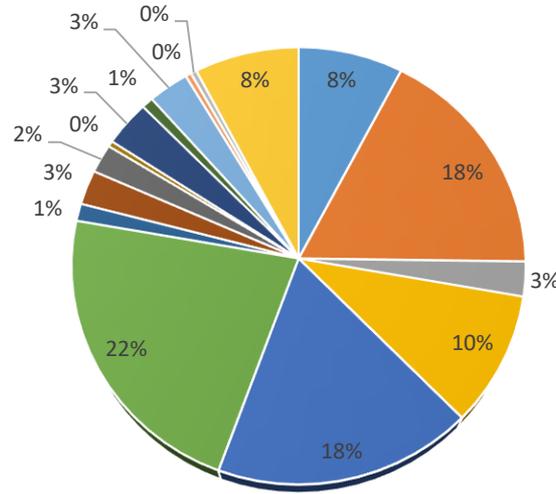
3 Late notification of potential claims

4 Non Disclosure

5 Failure to communicate changes at renewal

6 Inadequate advice Business Interruption covers

CAUSES OF CLAIMS



- Claims Handling Issues
- Cover Dispute
- Endowment Mis-selling
- Failure to Effect Insurance
- Failure to Establish/Declare Material Facts
- Failure to Highlight Policy Terms and Conditions
- Health/Life Insurance
- Insurer Solvency
- Investment Performance
- Mortgage Broking
- Other Broker Error/Omission
- Other IFA Error/Omission
- Pension Transfer
- Policy Excess Dispute
- PPI Mis-selling
- Underinsurance



FAILURE TO CHECK POLICY DOCUMENTS

Murder in nightclub resulting in closure

Sought £1m Murder extension Business Interruption

Only £100,000 provided

Claim against broker:-

- Failure to negotiate adequate level of cover
- Failure to inform client of restriction

Did not check policy documents and missed difference in limits

Claim of £900,000. Settlement agreed £450k plus costs



FAILURE TO ADVISE **POLICY RESTRICTIONS**

Leak on roof of 7 floor building during construction works

Claim declined due to 4 storey height restriction on policy

Broker was aware of height of project

Failed to highlight restriction and therefore liable for outstanding fees

Potential for further claim for remedial damage



NON-DISCLOSURE BY BROKER

Home Insurance policy – Arson attack 12 days after inception

Coverage issues due to non-disclosure of material facts:-

- Previous claims for malicious damage
- Property under construction at time of inception

Policy voided ab initio – primary reason = non-disclosure of claims

Broker was aware of previous claims and now being sued by client

Claim likely to cost £380,000



IMPORTANCE OF DUTY TO DISCLOSE MATERIAL FACTS

Fire at clients premises

Several non-disclosure issues:

- ownership of site
- Bankruptcy of Director and administration of previous company
- Outstanding CCJ

Likely Insurer will void policy

Did the broker clearly explain the importance of disclosing material facts?

Claim for £400,000



KNOW YOUR CLIENT

Manufacturer of specialist product

Materials supplier based overseas – fire at plant

Claim against broker:

- Insufficient Business Interruption. £50k limit vs £1.5m turnover
- Failure to negotiate adequate cover – territorial limits UK only

Did they really know the client's business?

Claim settled for “only” £200k plus costs

RISK MITIGATION – HINTS & TIPS

U1

Check your
systems and
processes

U2

Effective file notes

U3

Tailor
communication to
individual clients

U4

Review your
standard
documentation
- Keep it simple

U5

How good is your
insurance safety
net?

U6

Don't make
assumptions
- Check, check &
check again

FCA THEMATIC REVIEW OF BROKERS' PI MARKET

Availability of cover



SUITABILITY of insurer
exclusion

Policy limits and excesses



UNRATED insurer (and
non-admitted insurers)
exclusion

Exclusion clauses



Insurer **INSOLVENCY**
exclusion

NEW & EMERGING RISKS

- Cyber & Crime



- Ogden



- GDPR



NOT SO NEW RISKS

Insurance Act 2016



Market selection

- Overseas
- Unrated
- Claims reputation
- Switching markets
- Short-term players



THE LIFE OF A CLAIM

1. Complaint = PI notification?
2. Final response – 8 weeks
3. Financial Ombudsman Service

OR

- 3 Letter of claim. Pre-action protocol
- 4 Negotiation. ADR - mediation
- 5 Proceedings issued
- 6 Settlement – the end?

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