



Reuben Irvine  
Economist  
Advocacy Division  
Competition Authority  
Parnell House  
14 Parnell Square  
Dublin 1

10<sup>th</sup> December 2003

Re: Professional Study – Limits of Indemnity  
Professional Indemnity Policies  
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Dear Mr Irvine,

Thank you for your email dated 30<sup>th</sup> November to my colleague Alan Connolly.

IPB is a Mutual Insurer formed under the Local Authorities Mutual Assurances Act 1926-28.

We act as the Underwriters and Insurance Advisors to our members, Local Authorities, Health Boards and Vocational Education Committees and other public sector organisations.

We inspect and approve insurances of contractors employed by our members and policyholders, to **protect** them and **Irish Public Bodies** against third party claims. It is part of our risk transfer advice.

The highest risk presented by contractors is their **Public Liability Insurance** and we recommend a minimum limit of €6.4m We are not aware of any disagreement with this minimum level of indemnity. The limit is increased dependent on the risks associated with the project (there have been limits in excess of €100m).

We **recommend** a minimum limit of €6.4m for Professional Indemnity insurance of Project Consultants engaged by our members/policyholders. This again is a minimum limit and higher limits may be warranted in certain projects.

The minimum limit **recommended** by IPB takes into account that the policy operates to cover both third party property damage and also third party personal injury claims.

The majority of Professional Indemnity limits are arranged with reference to the cost of the project but cover also extends to include personal injury claims.



The IPB view is that the limit €6.4m is the appropriate one given the operation of cover for personal injury claims.

The case is made that the personal injury risk is remote. We consider that the remoteness of risk is a matter for the Professional Indemnity Insurer/Underwriters. It is not a reason for seeking a lower limit. In the case of Motor Insurance statutory RTA requirements still seek unlimited personal injury third party cover whether insuring a tractor, car, scooter or a 25 Ton truck.

The same limits apply but underwriters charge different premiums. The same situation should operate for Professional Indemnity insurance.

- Architect, Quantity Surveyor or Consulting Engineer, Landscape Designer i.e. different disciplines and professions will be charged different premiums by their Insurers/Underwriters based on the minimum limit.
- There are many multi million euro awards under Public Liability policies. We ourselves had a recent settlement of €3.2m which including costs could result in an overall cost of approx €5m. As the Professional Indemnity policy includes personal injury we consider it is relevant to include the Public Liability claims data.

Finally we **recommend** this limit. It is not a compulsory requirement. Our members/policyholders are not penalised under their own insurance cover, should they decide to accept lower limits.

The correct limit under any liability policy is the limit that will never be reached. It has to cater for several claimants injured in the one accident, legal costs and claims inflation.

Yours sincerely

Donal O'Sullivan  
Assistant General Manager

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