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**Professions Study – Architects
Professional Indemnity Insurance**

Dear Mr Garrett

We refer to the Authority's News Release of the 26th of November 2003.

We would like to comment specifically on the Questions regarding Professional Indemnity Insurance.

Four Questions are posed, and we comment on each in turn :

1 Is there evidence that €6,300,000 coverage is excessive ?

- 1.1 The question as posed is difficult to answer in absolute terms because it is not possible to forecast in advance the financial consequences of a loss event.
- 1.2 In cases where the Principal is a medium to large entity, either involved in numbers of projects (irrespective of contact value) or in a single medium to large project, our opinion is that evidence is available, by examples of outcomes, to establish the desirability of coverage of €6,300,000.
- 1.3 This does mean however, that the medium to large Principal, with this coverage requirement will have the choice of Architect limited to those with the desired level of coverage, if only because of the difficulty posed by reducing the cover required for the specific 'small' job.

2 Is there evidence that the requirement raises insurance costs ?

- 2.1 Yes. Cover of €6,300,000 does cost more than cover for, say, €1,500,000.



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- 2.2 In addition, because Professional Indemnity Insurance Policies operate on a 'Claims Made' basis, rather than on an 'Occurrence' basis, the costs must be borne into the future, for the Insurance Policy to be of any effect or value to both the Architect and Principal.
- 3 What effect does this have within the architectural profession ?**
- 3.1 Obviously, we can only comment as brokers to Architects. The smaller practice is effectively excluded from participation in that marketplace where this requirement exists.
- 4 What is the best approach in determining the appropriate cover ?**
- 4.1 For Public Bodies, a standard requirement or level of cover has to be the preferred defensive approach.
- 4.2 We suggest this because the levels of coverage purchased by practitioners is influenced by a number of different factors, eg, costs, personal view of risk, professional bodies recommendations, contractual requirements, etc., all of which results in inconsistencies between practitioners on coverage held.
- 4.3 In ideal circumstances, Public Bodies should endeavour to set the level of cover to reflect the projected risk outcome. This is strongly argued at times, particularly by the smaller practitioner engaged on the smaller job. The reality is however, that such an approach would impose a burden on a Public Body which would be extremely difficult to discharge.

Summary

Our comments are deliberately brief, but hopefully of some assistance. The Questions posed are timely because of the difficulties currently pertaining in the Professional Indemnity Insurance marketplace. We wish the Authority well in your deliberations.

Yours sincerely


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