

Professional Indemnity – Example of Claims

Architects/Engineers/Surveyors

1. Errors in the production of drawings, schedules or negligent design

A senior architect produces a set of architectural plans for a large residential development. Due to a mistake in the measurement of load-bearing walls, the building's foundation design is compromised. After construction begins, the issue is identified, leading to a costly redesign and delay. The developer files a claim against the architect for the resulting financial losses and delay.

2. An incorrect assessment of a client's requirements, particularly with regard to timescales or financial limits imposed by a contract

An engineer is tasked with designing a specialized manufacturing facility. The engineer underestimates the complexity of the project and agrees to a fixed timeline that is unrealistic. The project is delayed significantly, causing the client to incur additional costs due to missed deadlines, prompting a claim for failure to deliver within the agreed parameters.

3. Inadequate supervision of contractors or other professionals

A surveyor supervises the installation of a complex HVAC system. Due to inadequate oversight, a subcontractor installs the system incorrectly, resulting in operational inefficiencies and safety risks. The client sues for damages, claiming the surveyor's failure to oversee the work properly.

4. Negligent site layout

A civil engineer designs the layout for a new commercial property. However, the engineer overlooks critical zoning regulations and the natural topography of the site, resulting in drainage issues and flooding. The client files a claim for the additional costs to rectify the problem, as well as the financial losses due to operational disruption.

5. Negligent survey report

A building surveyor provides an inspection report for a commercial property. The report overlooks structural weaknesses that later become evident when the building is occupied. The client seeks compensation for the costs of repairs and lost income due to having to close the building for renovations.

6. Failure to make or renew planning permission requests within the given timescales

An architect is responsible for submitting planning permission applications for a large redevelopment project. Due to administrative oversight, the submission is missed, and the project is delayed by several months. The client sues for the financial losses incurred due to the delay in obtaining the necessary approvals.

Accountants/Financial Advisors

1. Incorrect advice as regards pensions payments

A financial advisor recommends a pension plan to a client that doesn't meet the client's long-term goals or tax planning needs. The client later discovers that their retirement funds are inadequate due to the advisor's poor advice, leading to a claim for the shortfall and potential lost retirement income.

2. Failure to minimise tax.

An accountant incorrectly applies tax rules to a business's financials, leading to the client overpaying taxes for multiple years. After discovering the error, the client files a claim for compensation of the excess taxes paid, as well as the costs incurred in correcting the financials.

3. Schemes of tax mitigation embarked upon that proved to be fraudulent from a tax perspective.

A financial advisor suggests a complex tax scheme to a high-net-worth client, promising significant savings. However, the scheme is later investigated by tax authorities and deemed fraudulent. The client is forced to pay back the savings, plus penalties, and sues the advisor for negligence.

4. Failure to spot a serious fraud due to inadequate audit procedures.

An accounting firm audits a medium-sized company but fails to notice signs of internal fraud that have been ongoing for years. The company suffers significant financial loss, and after the fraud is uncovered, the company seeks compensation for the failure to identify red flags during the audit.

5. Poor investment advice led to a serious loss to a Trust.

A financial advisor manages a family trust and recommends high-risk investments that ultimately result in significant losses. The trustee claims that the advisor's risk assessment was negligent and sues for the loss of funds that could have been preserved with more prudent investments.

6. Failure to pick up fraud of a firm's employee whilst auditing the accounts.

During an audit, the accountant fails to detect that an employee of the client company is embezzling funds. The employee's fraudulent actions are discovered later, leading to a claim against the accountant for not identifying the discrepancies during the audit process.

7. Insolvency failure to realise the full value of assets.

A firm specializing in insolvency is tasked with liquidating the assets of a business in financial distress. Due to poor assessment and undervaluation of assets, the liquidation yields far less than expected, and creditors suffer as a result. The business owner files a claim for the loss of potential value.

Design and Construction

1. Design failure and errors

A design team is responsible for creating the layout of a commercial shopping centre. However, a fundamental error in the structural design leads to weaknesses in the building's framework. The contractor is forced to halt construction, resulting in delays and significant costs, and the developer sues the design firm for their negligence.

2. Alleged specification failure

A construction company follows a set of specifications provided by the client for a new office building. However, the specifications are later found to be outdated or incomplete, leading to issues with materials and design elements that don't meet current safety standards. The client claims that the company failed to follow the updated specifications.

3. Structural design defect

An engineer designs the structural framework for a high-rise apartment building. A structural flaw in the design leads to cracking in the foundation after the building is completed. The tenants file claims for damages, while the developer seeks compensation for the costs of repairing the structure.

4. Negligent project management

A project manager is responsible for overseeing the construction of a major infrastructure project. Poor coordination between subcontractors, delayed material deliveries, and miscommunication lead to an extension of the project timeline. The client claims that the project manager's failure to efficiently manage the project resulted in increased costs.

5. Failure to comply with written specification

A contractor is hired to build a new hotel and is given a detailed specification of the work required. However, the contractor does not follow these specifications, opting for cheaper materials and shortcuts, which leads to subpar construction and significant safety concerns. The hotel owner files a claim for breach of contract.

6. Fire Safety Audits

A fire safety consultant conducts an audit of a commercial building and fails to identify key safety deficiencies, such as the lack of fire exits and insufficient fire suppression systems. When a fire breaks out, causing significant damage and injury, the building

owner sues the consultant for failing to properly assess and recommend the necessary fire safety measures.

*This content was sourced and adapted from PI Professions. Thank you to our insurance partner for providing these helpful examples and insights, which we've tailored for our website.

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