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NEWSLETTER 02

Shielding Success: Your Guide to Professional Indemnity & Directors' and Officers' Liability Insurance

Do I need a Professional Indemnity and D&O Insurance Policy?

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Professional indemnity protects a professional from claims arising out of negligent service whilst Directors' and Officers' liability Insurance protects the directors/officers from claims arising out of business mismanagement.

Being caught out without a professional indemnity or directors and officers (D&O) insurance policy, can have serious consequences for businesses and individuals. These policies provide protection and coverage for various risks and liabilities that can arise in professional and corporate settings.

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One of the primary purposes of professional indemnity insurance is to protect professionals against liability claims arising from errors, omissions or negligence in their work. Without this coverage, individuals may face hefty compensation costs, which can be financially devastating, especially if the claims are substantial or multiple.

In today's interconnected world, reputation is vital for any professional or business. Unaccompanied by a professional indemnity insurance policy, a negative outcome in a legal or liability claim can result in severe damage to an individual's or business's reputation. This damage can significantly impact future opportunities, client relationships, and overall trust in the professional's capabilities.

D&O insurance provides coverage for legal defence costs and potential damages resulting from allegations of wrongful acts by corporate directors and officers. Devoid of this coverage, directors and officers may have to personally bear the financial burden of legal expenses and any settlements or judgments awarded against them. This can lead to personal bankruptcy or substantial financial losses.

Many industries and professions require professionals and businesses to have professional indemnity or D&O insurance as part of their regulatory or licensing requirements. The absence of such cover can result in non-compliance with legal and regulatory obligations, potentially leading to fines, sanctions, or even the revocation of licenses or certifications.

Many clients, especially larger organisations, require professionals to have professional indemnity insurance to mitigate their own risks. Failing to have the proper coverage, professionals and companies may be excluded from lucrative business opportunities or face difficulty in securing contracts with clients.

In the case of D&O insurance, employees may lose confidence in the ability of directors and officers to effectively manage the company. This can lead to decreased morale, higher turnover rates, and a lack of trust in senior management, negatively affecting employee performance and overall organisational success.

Therefore, being exposed to professional indemnity or D&O insurance can present professionals and businesses with a range of potentially devastating consequences which mainly manifest in financial burdens, reputational damage, legal liabilities, and limited opportunities.

The Consequences of Professional Mistakes

Author: Mark Spiteri
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Errors, omissions, and misjudgements are inevitable during the journey of a professional career.

Professional mistakes can have various consequences and significant impact on both individuals and organizations. This depends largely on the severity and nature of the error and the context in which it occurs.

Understanding the consequences and repercussions of professional mistakes is not only crucial for mitigating their effects but also for fostering improvements.

The most awful professional mistakes are those that can result in serious bodily harm or even death to other persons. These are mostly associated with healthcare professionals, although other professions also have the same exposures. Typical examples of such other professions are architects and engineers, whose potential errors or omissions in design, supervision or certification of projects they are involved in, may result in death or serious bodily harm.

There are a number of professions, such as those in the financial services industry, accounting and auditing, corporate services, lawyers and notaries whose errors and omissions have different consequences, more associated to financial losses.

All in all, mistakes in professional settings, eventually all lead to significant financial repercussions, whether it's the cost of rectifying errors, compensation, potential legal fees or lost business opportunities. In some cases, mistakes or negligence may lead to lawsuits, fines, regulatory and criminal penalties. Some of these financial repercussions may be insured under a professional indemnity policy, however this does not necessarily make up for all the losses.

But that is not all. There are also what I would term the secondary consequences of professional mistakes which can be as serious as any other.

One of the most immediate secondary consequences of professional mistakes is damage to reputation. Such mishaps can tarnish an individual's or a company's image. In today's interconnected world, news travels fast, and negative perceptions can spread rapidly, affecting relationships with clients, partners, and stakeholders.

Professional mistakes erode trust and credibility, which are fundamental pillars of any successful career or business. When professional mistakes occur, trust is compromised, leading to strained relationships and diminished opportunities.

The consequences of professional mistakes extend beyond the tangible realm. Feelings of guilt, shame, and self-doubt are common reactions to errors, especially when they result

in harm or loss to others, often taking a toll on individuals' emotional and psychological well-being both of the professional and also of the aggrieved party. Managing the emotional aftermath of mistakes is essential for maintaining resilience and preserving mental health.

Despite the negative repercussions, professional mistakes also present learning opportunities. By analysing the root causes of errors, individuals and organizations can identify areas for improvement and implement corrective measures.

In addition, cultivating a culture of accountability and open communication within organizations create an environment where individuals acknowledge mistakes, assume responsibility for their consequences and feel empowered to learn from failures, rather than fear them.

Understanding the various repercussions of professional mistakes and adopting a mindset toward learning and improvement, individuals and organizations can achieve higher professional standards reducing professional errors both in terms of quantity and severity.

Professional Indemnity Insurance

Author: Fiona Borg, CMIRM Dip.CII CBCI Chartered Risk Professional

In today's world, people search for peace of mind to ensure a smooth running of their business operations. This includes the security of the business finances which can be easily tarnished if a case against the professional takes its course and is found legally liable.

There are various reasons why an individual acting in his professional capacity benefits from having a Professional Indemnity Policy in place and we will go through some of these benefits below. Firstly, let's have a look at who are the persons who should invest in such a policy.

Normally, such policies are intended for professionals such as Accountants and Auditors, Lawyers and Notaries, Architects and Engineers (Civil, Electrical and Mechanical), and professional people in the Health Sector, Dentists, Physiotherapists, General Practitioners, etc. However, such policies are also purchased by companies, such as Insurance Brokers, Consultants, Stockbrokers, and Corporate Service Providers, who offer advice to their clients.

The primary cover when issuing a PII policy is the cover for costs and expenses in defending a legal claim. In addition, the policy will indemnify the insured person for any damages which one becomes liable to pay for negligent actions, errors or omissions.

Policies provide protection for cases resulting from defamation or libel claims. One needs to be careful as with social media, it is much easier to spread negative or slanderous information.

Another reason why a person or a firm issues a Professional Indemnity Policy is because of a legal requirement requesting the professional, to issue a policy with a specific minimum limit of liability. In this regard, it is important for the person to ensures that the policy being purchased is in line with the requirements of the law. Apart from the regulatory requirements, there is also the contractual requirements. As an example, today, professionals entering contracts with their clients such as an Architect entering contracts with a Government Authority will be required to present a Professional Indemnity Policy prior to the inception of the works.

Today, you can also find PII Policies for the tech industries whilst designing software, games and other technological products.

In order to purchase such a policy, it is normal that one is requested to complete a proposal form with all the details including any circumstances which you may be aware of that may lead to a claim in the future. This is very important as the cover is on a claims-made basis.

Likewise, one would highly recommend that a retroactive cover is purchased since if there is a change in Insurer and something happens the new insurer will only pick up claims of a circumstance happening in the previous years that were unknown at the time the policy was purchased. Normally, if a case is known, it will be excluded from the policy.

On the other hand, if a professional is retiring from his business, or ceased operations, one would suggest a run-off cover for any claims arising after the business is no longer in operation.

Be Protected, Today for Tomorrow.

Our Trip to London's Insurance Hub

A cohort of 20 individuals comprising both students pursuing insurance qualifications and seasoned professionals in the field convened with MITC representatives in London for a day dedicated to exploring the city's insurance landscape on Friday, April 5th, 2024.

The day commenced with a guided walking tour of Financial London, with a specific emphasis on insurance establishments. This tour provided a deep dive into the complexities of the financial and insurance sectors, proving to be both fascinating and enlightening. Subsequently, the group visited the Chartered Insurance Institute (CII), where they were warmly received by Isaac Olubitan, International Manager, and Jeremy Mullen, Head of Accreditation, who delivered an engaging overview of the CII's offerings and available opportunities.

After enjoying lunch at Sky Garden, the group embarked on an enriching and captivating tour of Lloyd's headquarters, unveiling the inner workings of this renowned institution.

The MITC team extends its sincere gratitude to all participants whose contributions were instrumental in ensuring the resounding success of this event!

WORKSHOP

Introduction to Insurance Bootcamp

MITC Training Centre

Gear Up for Success: Dive into the World of Insurance with our Introduction to Insurance Bootcamp!

This workshop provides general knowledge on insurance practice and principles.

At the end of the programme participants would have obtained an insight into the operations of insurance having been exposed to real case scenarios, documentation and examples of business situations. The programme is suitable for those individuals who are seeking an understanding of the general insurance industry and practice and it is ideal for those who are seeking to join or those who have joined the insurance sector.

Target Audience:

- Individuals who are new to the industry and have limited knowledge about insurance
- Individuals seeking to enter this industry
- Individuals seeking a general understanding of the insurance industry

Topics:

- General nature of insurance
- The general structure of the insurance market
- How insurance operates
- Underwriting insurance and risk sharing
- General features of claims and proceduresBeyond Profit: Mastering the Fundamentals of ESG

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