

Information Sheet: What to do if you receive a professional indemnity claim whilst providing accounting services.

Despite best efforts, claims can and do arise while providing professional accounting services. Receiving a claim or a consumer complaint can be a daunting experience, however this is where your broker can provide you with advice, guidance and reassurance.

What is a claim?

The definition of a claim can vary from one policy wording to another. However, it is typically defined as a *written or verbal* demand by a third party who are seeking damages or compensation arising from your work as an accountant. A claim can also be a regulatory proceeding or investigation by a regulatory authority, for which you are required to provide a formal response.

'Claims Made' Insurance

Generally, Professional Indemnity Insurance (PII) policies are written on a "claims made" basis. It is essential that your current insurer is made aware of all claims or **potential** claim circumstances of which you, or your organisation, have become aware of during the current insurance period. A "claims made" contract is a policy which only applies with regard to claims made and notified to insurers **during** the policy period, **subject to the act**, error or omission giving rise to the claim occurring after any policy **retroactive date**.

Any claims or potential claims, which arise subsequent to your completion of the proposal form or renewal declaration, must be reported to your current insurers prior to the expiration of the current policy. If you are in any doubt as to whether a matter would be deemed a notifiable circumstance, notify your broker anyway. Insurers do not usually penalise an Insured for reporting matters "out of an abundance of caution".

Finally, it's prudent to *actively seek* information on any potential claims from within your practice, particularly during the renewal process. This could be as simple as sending an email to colleagues requesting that they disclose any potential matters that could give rise to a claim. Undertaking this simple step may help you to avoid potential coverage issues down the track.



In order to lodge the claim, your broker will need the following items:

- **Provide a summary and facts of the claim**

This can be via an actual claim form or as a written summary of the events giving rise to the claim. Provide as much information as you can when completing the form as this allows the broker to provide the insurer with all the necessary information to get a fast response on indemnity. Typically, the less questions that come back from the insurer, the quicker your claim may be processed. Include details of when you first became aware of the claim or circumstance, any relevant contracts you may have with the claimant, and the nature of the work completed.

- **Claimant Correspondence**

Pertinent correspondence received from the claimant should supplement your claim form. This will include any formal legal documents such a writ, or simple email correspondence between your practice firm and the claimant, or their lawyers. Be sure to forward correspondence from regulators if you have been asked to respond to a regulatory proceeding.

Post Claim

Once Marsh have received your correspondence and **issued you** with a **claim number** for future reference, Marsh's role is then to provide you with ongoing support until the matter is settled.

This includes:

- Providing you with written confirmation of the acceptance of the claim
- Keeping you informed of the progress of the claim including the ongoing collection of any further correspondence as and when required by the insurer.
- Diligently pursuing the settlement of your claim and maximising your entitlements under the policy.
- Advising you of the outcome of your claim including any settlement amount paid.

General Housekeeping

There are a couple of things to consider, both prior to and post notification of your claim:

- **Do not admit liability**

Mistakes do occur, however, even when the source of the loss appears obvious, do not admit

liability, as this can affect potential settlement amounts and prejudice the insurer's ability to negotiate resolution.

- **Do not engage legal counsel**

It is common to want to be proactive in a claim situation, however the best course of action is to contact Marsh in the first instance, who can liaise with the insurer who can then provide you with an experienced lawyer from their panel of law firms (where appropriate).

- **Keep your claim number close by**

Upon receipt of your claim, Marsh will seek a claim number from the insurer. Use this reference in all future correspondence.

- **Ongoing co-operation**

The insurer will need things from you which may have strict timelines attaching. Be cognisant of the information you are required to submit and the time in which it needs to be submitted. Delays in information can delay settlements and/or defence of claims.

- **Act as prudent uninsured**

For more complex matters, a decision on indemnity may not be immediate and the insurer may require additional time to confirm the policy position. During this period, it is important not to influence the situation in a way that could adversely affect your position on indemnity. Acting as prudent uninsured simply means to continue operating as if there was no insurance in place by taking reasonable steps to mitigate any further potential losses.

- **Remain calm**

Marsh have been representing their clients in all manner of accounting related claims and regulatory proceedings. The team will take you through the process efficiently and will provide you with the advice and guidance you need to navigate you through to resolution.