

Professional Indemnity Insurance



Product guide
Valid as of 1 April 2020

This product guide provides a general outline of what Professional Indemnity Insurance covers and what the main exclusion clauses are.

Please also read the insurance terms and conditions as they define the content of the insurance. The following are applied to this policy:

- Professional Indemnity Insurance, terms and conditions VA 05
- General Terms of Contract YL

Customer-specific special clauses can also apply.

An error in a plan can cause losses to the customer or a third party

Even a minor error in a plan can cause losses to the customer or a third party.

A company engaged in planning or consulting can find itself liable to indemnify losses caused by an error in the plans. The indemnification liability for losses caused to the customer who ordered the work is based on the design contract. Indemnification liability to third parties is based on existing tort liability legislation. The loss caused by the error can be quite considerable compared to the sum invoiced for the planning work.

Professional Indemnity Insurance covers losses caused by planning errors

Professional Indemnity Insurance covers bodily injuries, material damages and financial losses caused within specified consulting work for which the policyholder is liable under the contract it has made or under existing law. The indemnification liability can be the result of an error, deficiency or omission in plans, research results or measurement results.

The prerequisite for any payment of compensation is that the loss was discovered during the insurance period and that it is the result of an error, deficiency or neglect that took place no more than 10 years before the claim was made. Since the policy must be valid when the loss is discovered, you should not terminate the policy even if the design project is concluded or business operations come to an end.

Professional Indemnity Insurance covers losses caused by planning errors. In case of bodily injuries or material damages caused by some other reason, we recommend that you take out a Commercial General Liability Insurance, for example.

The basis is formed by the general terms of contract for consultancy (KSE)

The general terms of contract for consultancy (KSE) are designed to be used in planning commissions between consultant and customer. According to these terms and conditions, the consultant's maximum indemnity is entered in the contract. In the absence of such an entry, the maximum indemnity, that can be paid from the insurance, is the amount of the consulting fee.

Professional Indemnity Insurance covers damage to the extent to which the policyholder is liable for them under the existing general terms of contract for consultancy (KSE).

Indemnity is paid according to the KSE terms and conditions, even if the consulting commission has been agreed on only verbally and even if the consultant and customer had not applied KSE terms and conditions. In such a case, the maximum indemnity will be the consultant's fee.

If KSE contract terms have not been applied or the maximum indemnity agreed upon, the consultant may have to indemnify the amount in excess of the fee themselves. This is one reason why we recommend using KSE terms and conditions.

We determine your company's liability

In cases of losses which are covered by the policy and which exceed the deductible, we will determine whether your company is liable. We will work with you in investigating the loss or damage. If your company is liable for the loss, it will be indemnified, less the deductible. However, if the policyholder is not liable for the loss, we will defend the policyholder against the claimant in legal proceedings. Investigation and legal defence expenses are also covered.

Professional Indemnity Insurance does not cover everything your company is liable for

Professional Indemnity Insurance does not cover everything your company can be liable for. That is, liability insurance always covers less than what the company's indemnification liability is. Liability insurance policies always include restrictions, read them carefully!

Examples of losses

We have provided examples below showing which kind of losses are indemnified under Professional Indemnity Insurance and which are not. These examples cannot be generalised, as the circumstances of each insurance event affect the claims settlement decision.

Example

Our policyholder was in charge of the electrical designs of the repair of a church. The KSE contract terms were applied in the contract between the policyholder and the parish. When carrying out the repairs it was discovered that the electrical designer had not done the preparation work well enough and the plan contained errors. Owing to insufficient electrical design, the parish incurred additional costs for extra electrical and construction work. The biggest individual cost consisted of the new space designed and built in the main building. The contract between the policyholder and the parish had not specified the consultant's maximum indemnification liability. Therefore the upper limit for indemnification liability was, as stated in the KSE contract terms, the consultant's fee. The amount of loss was lower than the consultant's fee, so the policyholder was liable for the entire loss to the parish. The expenses caused by the loss were indemnified under the Professional Indemnity Insurance, less the deductible.

Example

The building designer made the structural designs to a fairly large site of new development. The general KSE terms and conditions were not applied to the design contract, nor had any maximum indemnification liability been agreed upon. The secondary trusses of the building's roof at the exterior walls were designed too long during prefabrication planning that was part of the design commission. Many of the trusses had to be shortened either at the site or already at the factory before transportation to the site. This repair work and extra costs to the customer resulted in losses in excess of EUR 10,000 to the customer. The design fee was EUR 8,500. Although the designer and customer did not apply KSE terms and conditions, compensation was paid to the extent as if the consultant had been liable under these terms and conditions, that is, up to the maximum amount specifically agreed in the contract or, in the absence of such a provision, up to the fee amount. The compensation made on the basis of the Professional Indemnity Insurance was EUR 8,500.

Example

An error in quantity calculations caused extra expenses. Extra costs or other damage caused by errors, deficiencies or cases of neglect in research or calculations intended for the basis of quantity calculations or financial estimates are not indemnified under Professional Indemnity Insurance.

Example

The building designer submitted the building drawings to the main contractor two weeks late. Because of the delay, the main contractor's work was also delayed, and the latter had to pay the customer a delay penalty of EUR 14,000. The main contractor demanded the building designer to refund the delay penalty that had to be paid. This was not covered by the building designer's Professional Indemnity Insurance, because the policy does not cover losses caused by delayed work performance by the policyholder. Contract penalties are generally not indemnified from liability insurance.

Territorial scope, maximum indemnity and deductible

The insurance is valid in the European Union, Norway, Iceland and Switzerland unless otherwise agreed and accordingly recorded in the policy document.

The maximum indemnity for losses during a single insurance period is EUR 100,000 or some other sum insured that has been entered in the insurance policy.

The policyholder's deductible for each error is EUR 2,000 or the deductible entered in the policy document if the latter is higher. The deductible is applied for each error. The deductible will be subtracted from each loss caused by an error. Losses caused by the same error are considered to be one loss regardless of the when the losses were discovered, making it a serial loss.

Factors affecting the premium

The premium basis of Professional Indemnity Insurance consists of your company's design fields and their annual invoicing. The premium is also affected by the chosen sum insured and the deductible.

In the event of loss or damage

Instructions

The reasons and the sequence of events leading to the loss must be properly documented and repair work started promptly to prevent any further delays. Allow us the opportunity to assess the loss with you.

Send us as accurate an account as possible of the factors and the error that led to the loss, and any contracts, drawings and designs concerning the commission.

How to claim under professional indemnity insurance

The loss must be reported as soon as possible once information of the loss has been received or the claim has been made. The party suffering the loss cannot file a loss report on behalf of the policyholder. A loss report does not have to be filed in a specific format, and you can do it on our website. The loss report should be made with care in order to ensure maximum speed and correctness in the processing of the claim. Losses should be reported to us as soon as possible. A loss report must be made within one year of the loss being discovered.

Appeals

If you are not happy with the claim settlement decision, you can appeal it. See the instructions on filing a complaint or appeal appended to the claim settlement decision for instructions. For more information about appealing, go to op.fi.

Handling of personal data

Pohjola Insurance handles customers' personal data in accordance with regulations in force and in a manner described in greater detail in the Privacy Statement and the Privacy Policy. It is recommended that the customer read such privacy protection information. The Privacy Statement and the Privacy Policy are available at op.fi and the Pohjola Insurance's customer service outlets.

Insurance sales commissions

The insurance company will pay a commission that is either a percentage of the insurance premium or a fixed fee based on the number of policies sold. The commission and its amount is affected by the insurance product and sales channel. The commission is paid to the agent or insurance company employee.



Our services

Manage your insurance matters at op.fi

Login to op.fi using the user identifiers for your own bank.

Once logged in, you can

- report a loss and file claims
- make changes to your company's policies
- order a Green Card
- print out certificates of insurance

Pohjola Claim Help at your assistance 24/7

Pohjola Claim Help provides clear instructions for all types of accidents and losses. In the event of loss or damage, Pohjola Claim Help also lists the contact details of our doctor, repair shop and other partners.

Pohjola Claim Help is available at claimhelp.pohjola.fi and the OP Business mobile app.

Our telephone services

Pohjola Insurance

- Insurance and Claims Settlement 0303 0303*

Service numbers for statutory insurance**

- Motor third party liability accidents 030 105 502
- Work-related accidents 030 105 503
- Motor third party liability and occupational accident insurance 030 105 501

* From mobile phones and landline networks in Finland, EUR 0.0835 per call plus EUR 0.12 per minute. The price includes VAT.

** Call charge: local/mobile network rate (lnr/mnr).

We record customer calls to assure the quality of customer service, among other purposes.

Advice on claims and insurance policies

Our insurance and claims advisors provide personal assistance in our telephone service. You can also file a complaint or appeal an insurance or claim settlement decision with our customer ombudsman. For more information on filing an appeal, visit op.fi/filing-a-complaint

For independent advice, contact the Finnish Financial Ombudsman Bureau (FINE), tel. +358 9 685 0120, www.fine.fi/en

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Domicile: Helsinki, main line of business: non-life insurance companies

Regulatory authority: Financial Supervisory Authority, finanssivalvonta.fi/en

