

Professionals serving affluent clients must buy bigger covers

They should avoid professional indemnity policies with sub-limits or high deductible

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Despite exercising a high level of diligence and caution in discharging their duties, professionals sometimes make inadvertent mistakes causing physical damage or financial losses to their clients. The resulting lawsuit and subsequent damage awarded by courts can exact a heavy toll on their financial well-being. One way they can protect themselves against such liabilities is by purchasing a professional indemnity (PI) cover.

Protection against ruin

The PI policy is essentially a legal liability cover. "It covers legal costs and other legal expenses incurred by the insured in their defence, as well as damages or costs awarded to a third party," says Raghavendra Rao, chief distribution officer, Future Generali India Insurance.

The third party referred to here is the professional's client.

Experts say with growing literacy and awareness, clients will turn more litigious. Lawsuits can, at times, go on for years, resulting in high legal fees. Damages awarded by courts can also be large.

"By paying a nominal premium, professionals can purchase peace of mind — that should such a liability arise, their entire savings won't be wiped out," says Abhishek Bondia, co-founder, SecureNow Insurance Broker.

Any professional who provides advisory or consulting services — doctors, lawyers, CAs, financial advisors, stockbrokers, etc — should buy this policy.

"Tailored PI policies are available," says Rao.

FOREIGN EXPOSURE RESULTS IN HIGHER PREMIUM

Type of profession	Sum insured (₹)	
	50 lakh	1 crore
General physician	1,000	2,000
Obstetrician	3,000	6,000
ITeS	45,000	75,000

Premiums given above are indicative. Consult a broker for exact premium applicable to you
Source: SecureNow Insurance Broker

Buy sum insured consistent with client profile

Professionals should choose a sum insured in keeping with the financial status of their clients. "If a patient sues a doctor, the court will award a compensation commensurate with the former's income-generation capacity," says Bondia.

The impact of the service the professional renders should also determine the sum insured. "In terms of criticality, the exposure that clients of a cardiac surgeon have is significantly higher than that of a general physician, so the former should go for a higher sum insured," says Bondia. He adds that buyers of PI policies

often decide on the sum insured, based on fees they charge.

"This is a mistake as the fee a professional charges may not have a bearing on the size of the claim he could face," says Bondia.

According to T A Ramalingam, chief technical officer, Bajaj Allianz General Insurance, "Professionals and businesses with exposure to litigious countries like the US should buy a higher cover." Eva

Saiwal, practice leader—liability and financial risk, PolicyBazaar, adds that sometimes having a PI cover of a stipulated amount is a prerequisite when bidding for foreign contracts.

Beware of deductibles and sub-limits

Fill out the proposal form carefully, clearly specifying your occupation, the services you render, and the sort of exposure you face. "Provide full information on the risks you are exposed to so that the insurer can offer the right coverage," says Ramalingam.

These policies often come with a deductible — the amount the insured has to pay out of his own pocket. Only when a claim exceeds this amount does the insurer's liability arise. While a higher deductible reduces the premium, it is advisable to keep it at a level you can absorb easily.

Some policies have a sub-limit on the amount paid for one accident, say, one-fourth of the sum insured. It is preferable to buy a policy without a sub-limit.

Study the major exclusions and see if any of them infringes on your interests in a significant way. For instance, a policy that excludes all exposure to financial advice would be of no use to a financial advisor or wealth manager.

Buy this policy early. "Claims that arose before buying the policy won't be covered nor will a liability arising on account of any illegal activity," says Saiwal. The jurisdiction of some policies is limited to India. Professionals having a global client base should avoid them.

Understand the terms and conditions of the policy before purchasing it.

"If you are buying a policy because a contract requires you to do so, make sure both the sum insured and the policy features align with the contract's requirements," says Saiwal.

