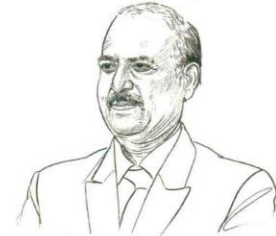


Insurance: Professional Indemnity

A Cover to Hedge Against Professional Hazards



TAPAN SINGHEL

An indemnity policy takes care of legal liabilities arising as a result of a loss to a third party due to negligence in professional services

The medical profession is considered to be a noble one, and it is receiving its due recognition when healthcare workers stand firm, shielding common people from Corona virus attacks, and galvanising nations to prepare for a tsunami Covid-19.

They are working around the clock, ensuring that our loved ones are safe. Is it not true that when you are enveloped in any medical exigency, meeting or conversing with a doctor raises the bar of hope?

With every profession, there are risks involved. Today, with a severe second wave of the pandemic running riots, doctors too are overworked, grappling with post-traumatic stress disorder, and there are few factors that are beyond their control due to which even after trying their best, they're unable to save lives. There are times when family members of a patient choose to take legal recourse for negligence in case a patient passes away under a doctor's care. Is there a mechanism that can take care of such legal liability for doctors? Certainly, yes. Professional indemnity is a cover that takes care of legal liability arising as a result of a loss to a third party due to negligence in providing a professional service.

It's important to understand that while the

status of doctors is considered to be next to God, they are still humans. The high complexity and risks involved in the profession of the medical practitioner make them especially vulnerable to legal suits for alleged negligence. A professional indemnity cover can help them defend themselves in court and also help them pay court – awarded damages for their negligence. Policies like coverage for fraud and dishonesty of employees and legal representation costs are available to the doctors assuring that they are completely protected. While some medical institutions and hospitals insist on having this cover, I firmly believe that irrespective of that, doctors must have an appropriate professional indemnity cover with adequate sum insured and add-on covers to safeguard their professional interests.

The cover, however, is not restricted to doctors. Any service provider, whose negligence can negatively impact a third party, is eligible for and can avail a professional indemnity policy to defend their interests. Individuals such as doctors, architects and lawyers, or entities like IT firms, cyber security firms, banks, hospitals, media/publishing houses and construction companies are eligible to buy this policy.

What Does This Policy Cover?

The basic cover under any professional indemnity policy is against legal liability arising due to loss to a third party because of negligence in providing a professional service. This loss can be financial or a bodily injury or property damage depending on the type of professional service. The policy pays defence costs and damages in case of legal liability. It also picks up fines and penalties wherever insurable by law. The policies also have extensions to cover claims arising out of fraud and dishonesty of employees.



Illustration: SAAHIL

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There are extensions for lost documents, outstanding fees, legal representation costs, and advancement of emergency costs among others which are a part of standard offerings. Additionally, extensions exist to customise the policy to suit the insured's profession such as claims arising out of exposure to radiation for a doctor to claim against defamation for various professionals involved in media. Some standard exclusions under this policy are claims arising from or attributable to the insolvency or liquidation of a company or emerging from the breach of licences concerning infringement of or misappropriation of patents or trade secrets. Claims or circumstances and acts committed or made prior to the inception of the policy are also excluded.

How to Buy the Right Cover?

The sum insured under a professional indemnity policy can range from around Rs 5 lakh for an individual doctor all the way up to Rs 1,000 crore and above for large organisations in the IT/ITeS space or contractors working on large construction projects.

Various parameters are factored in while underwriting a professional indemnity policy—the kind of professional service the insured offers, their annual revenue, the geographies where they are offering their services, what extensions and sum insured they opt for, how long they have been working in the specific sector, and their claims history, among the others. While buying this policy, it's important to make sure that the professional service is appropriately understood and recorded by the insurer. This approach will ensure that the correct covers are offered without any gaps. It's equally vital to go through the terms and conditions of the policy i.e. the coverage and exclusion and also to opt for adequate sum insured so that you don't get into a hassle or have to shell out from your own pocket in case of a claim.

In case of any doubt about the policy and its coverage, it is always advisable to approach your insurer, broker or advisor and get them clarified. Moreover, one should always revisit the sum insured annually. It's always a good idea to have a detailed dialogue with the insurer at each renewal to reassess the sum insured needed, to check if any additions in services offered need to be captured in the policy or if any new trends are affecting policy



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coverage or any new extensions are being offered. An annual assessment of exposure versus sum insured opted ensures that you are appropriately covered, avoiding the situation of underinsurance.

India is increasingly becoming a service economy. With changing needs and expectations of customers, the services offered are going through several layers of transformations.

Our country's legal system is strengthening, leading to increased instances of litigation. Consumer rights are at the forefront and we are witnessing receivers of services becoming increasingly aware of the legal recourse to take, in case they are unsatisfied with the services offered. Thus, making it a prudent choice for professionals to opt for a professional indemnity policy so that they don't cloud their minds with stress while providing services, and focus more on delivering their best. ■

The author is MD and CEO, Bajaj Allianz General Insurance