1. Professional Indemnity Insurance in Russia
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Questions we Receive from Russia

- Why do you not want to cover long term contracts?
- Why do you charge the premium from turnover not sum insured? Where is our loss free discount?
- We need to cover our office risks as well. Please give us contacts of your Liability colleague.
- How does Notification works with Claims Made Trigger? Is it considered to be a Claim?
- We have already TPL section in our CAR policy and even annual CAR TPL, why should we pay something else to buy PI coverage?
Regular business

We assume that the demand for 3 year policies in Russia is connected to 3 year statute of limitation.

The correct coverage for the 3 year statute of limitation depends on the Policy Trigger

- If Trigger is “Acts committed” no action is required. A yearly renewable policy is sufficient

- If Trigger is “Occurrence” or “Notification” a three year policy is needed, to secure the cover

- If Trigger is “Claims Made” a yearly renewable policy is sufficient but with the need of a 3 year ERP
Consequences

If we have to consider three year policies, in the current situation in Russia we have to charge an extra premium for the risk of change. So the annual premium for a three year policy will be higher than for the current year. This is the same as with banks, the interest rate for short loans is always lower than that for longer contracts.
In project covers we have a different situation. We take the potential work which is known by the time of underwriting to its full extend and calculate the corresponding premium. It could also work with an ERP instead of multiyear policy, but it does not make any difference, because the insured will not change the insurer half way.
If premium is calculated from Sum Insured

It does not consider the scale of business and the exposure.

We would have to penalize insureds who concentrate on low risk work.

If in a year the turnover drops and so does the income of the insured, the premium would be still high and have a further impact on the profit.
If premium is calculated from Turnover

We can better evaluate the corresponding risk. In years with low turnover and income also the to be paid premium will be lower.

Each risk has to pay exactly for its own exposure and not for a grouped exposure depending on the underwriting strategy of the insurer.

It is the “fair” price.
Loss free discount in PI?

As a long tail branch, PI can not calculate a “No claims bonus” because the premium calculation is already based on the fact, that we have pay back periods/loss free times of more than 100 years or more.

This means a no claims bonus could only be given after 100 years of coverage.

If we see more losses in an area we may increase the premium for the loss burdened risks instead.
Extension to PI

Normally for the “offices liability” a separate General Liability cover is needed. This covers losses from slip and fall and potential fire exposures to neighbors or the landlord (only third parties).

This can also be added as an endorsement to the PI policy, even that the loss is not a consequence of the professional services provided.
How it goes with Claims Made Trigger

Ability to notify circumstances

It is important to have the ability to notify circumstances. Otherwise the current policy does not respond, because claims have not been made and the future cover does not respond because it has been a known circumstance.
## Difference between PI and CAR/EAR TPL

### CAR/EAR TPL

**During construction period**
- **Material Damages** to insured items (Defects themselves or betterment are excluded); e.g. CAR Insurance
- Consequential losses caused by insured **Material Damage**; e.g. ALOP Insurance

**After construction period**
- **Material Damage** caused during construction period on site up to 2 years; e.g. Ext. Maintenance
- **Material Damage** to Civil Engineering Completed Risks caused by named perils; e.g. CÉCR Insurance
- **Material Damage** to structural works of the insured items caused by defect up to 10 years; e.g. IDI Insurance

### Professional Indemnity

**During the whole time mainly after construction**
- Wrongful act by the engineer/planner
- Leads to loss of a third party (not the insured or insurer) e.g. the owner
- No need for material damage but any loss, also pure financial losses E.g. loss of value
- Also consequential losses
- Possibility of covering the owner (OPPI) for losses he suffered from a wrongful act by the engineer
- Loss reduced by the saved expenses
Claims Examples I

- **Design failure** - temperature of new cold storage room at factory consistently too high because of inadequate design. Paid £250,000 plus costs.

- **Inadequate design** - air extraction and temperature control at restaurant failed to work properly. Restaurant was closed pending repairs. Paid £150,000 plus costs.

- **Structural design defect** - incorrect structural calculations contributed to non admittance of use of new car park. Paid £750,000 plus costs.

- **Negligent project management** - contractor instructed in role of project managers on existing but uncompleted development, problem due to bankruptcy of original contractors. Project involved restarting development, i.e. putting it back on track, utilising previous designs but new professional team. Allegations of negligence concerning duplication of work carried out by original team and additional duplications between new team, Surveyors, Engineers and QS. This led to an over-run on the contract budget. Settled £26,500.
Highway bridge collapses during construction
The **reason** has been a faulty static calculation
**Direct loss** was the total loss of the bridge covered by CAR,
One killed worker covered by TPL element of Engineering,
**Consequential loss** had been to construct a channel to keep ship traffic going during removal covered by PI of engineer.
For further information please contact:
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Highway bridge collapses during construction

Difference between PI and CAR/EAR TPL
Claims Examples II

Highway bridge collapses during construction

Difference between PI and CAR/EAR TPL