

Case studies

Adequate and appropriate indemnity insurance

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Related guidance

This case study should be read in conjunction with the [guidance on Adequate and appropriate indemnity insurance](#).

Case studies on the meaning of the requirement to have "adequate and appropriate" professional indemnity insurance

Case study 1 - Conveyancing firm

A small firm provides general legal work for individuals and small businesses and maintains PII cover of £2 million. The main source of income for the firm is from conveyancing with property prices generally below £1 million. The firm is instructed to carry out a conveyancing transaction involving the purchase of a private property for £2.5 million.

The fact that the value of the transaction exceeds the level of cover does not necessarily mean that the firm would be in breach of the requirement. The firm would need to assess its likely maximum liability (including claimant's costs) in the case of the firm's negligence. If this figure is less than £2 million or the firm can clearly meet any losses beyond the level of cover then we are likely to regard the firm as compliant with the requirement. We will expect to see that there has been proper communication with the client of these arrangements and that the client has made an informed choice.

Case study 2 - Personal injury firm

A small firm that deals with low value personal injury claims takes on a clinical negligence claim involving an adult whose brain was severely damaged at birth. The firm has PII cover of £3 million. In this case the firm is dealing with a vulnerable client and a potential claim against the hospital in excess of £5 million.

Personal injury claims are subject to strict time limits which if missed could expose the firm to a claim in negligence for the full value of the original medical negligence claim plus costs. In these circumstances cover of only £3 million is unlikely to be appropriate for the purposes of the requirement. Other arrangements that the firm makes can be taken into account, for example the firm's ability to meet the loss itself, but that may well not be relevant here given the amount at stake and the nature of the firm.

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