Apex Insurance
Brokers

CIRCUMSTANCES VERSUS CLAIMS IN PI INSURANCE

Reviewed by Matthew Bartlett, Director · Last reviewed 2026-06-22

THE LINE BETWEEN A CIRCUMSTANCE AND A CLAIM

On a claims-made professional indemnity policy, the trigger is either a claim made against the insured during the policy period or a circumstance notified during the policy period that later matures into a claim. The two categories are not interchangeable, and the wording of each policy determines what counts as which.

WHAT ENGLISH AUTHORITY SAYS

The leading English authority is *Kajima UK Engineering Ltd v The Underwriter Insurance Co Ltd* [2008], which set the test for what amounts to a notifiable circumstance — a problem that a reasonable insured would identify as something that *may* give rise to a claim, not merely a remote possibility. The test is objective. A circumstance that is too vague to articulate, or that captures every matter the firm is currently working on, is unlikely to constitute a valid notification. Conversely, a problem that the firm has spotted in its own work product, where the client has raised a concern, or where the matter is going wrong in a documented way, will usually be notifiable.

WHAT A CLAIM IS, AND WHEN IT CRYSTALLISES

A claim, in PI policy language, is typically a written demand for compensation or a written assertion of a right that, if successful, would result in liability. Pre-action correspondence under the Civil Procedure Rules pre-action protocols almost always amounts to a claim. An informal email from a disgruntled client may or may not — it depends on whether a reasonable reader would treat it as an assertion of a right.

THE CRYSTALLISATION POINT

A notified circumstance does not become a claim until something external happens — a letter of claim, the issue of proceedings, an adjudication notice, or an explicit demand for compensation. Once that happens, the matter is treated as a claim under the policy year in which the circumstance was notified. This is the deemed-claim mechanism that protects a firm whose circumstance is notified in 2026 but whose claim does not arrive until 2031.

WHICH OBLIGATIONS ATTACH TO EACH

CIRCUMSTANCES

- Notify in writing under the policy's circumstance clause as soon as reasonably practicable
- Record the fact at the next fair presentation under the Insurance Act 2015
- Preserve documents and avoid any admission of liability

CLAIMS

- Notify under the claim clause, usually with a short stop on time
- Engage defence panel solicitors with insurer consent
- Respect the claims control and claims cooperation clauses; see claims control and claims cooperation
- Allow the insurer to take over the conduct and quantum of the defence

WHERE THE DISTINCTION MATTERS MOST

For long-tail professions — architects, engineers, quantity surveyors and consulting surveyors — the gap between a circumstance and a claim can run for years. A circumstance notified to the 2026 policy crystallises into a claim served in 2030 against the 2026 policy's limit, terms and excess. For solicitors, the SRA MTC sets specific aggregation rules that interact with this timing.

WHY THE LINE MATTERS IN PRACTICE

A firm that notifies a vague circumstance to keep options open may find later that the policy did not respond because the circumstance was not sufficiently particularised. A firm that fails to notify a known issue, treating it as too speculative, may find at renewal that the matter is now a known circumstance and excluded from the new year's cover. Apex helps the firm draw the line on the day, in writing, with the insurer's acknowledgement on file.

RELATED PROFESSIONAL INDEMNITY GUIDES

- Architects PI
- Engineers PI
- Quantity Surveyors PI
- Surveyors PI