
EXCESS LAYER PROFESSIONAL INDEMNITY INSURANCE

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Excess layer PI sits above a primary policy. When the primary limit is exhausted by claims, the excess layer takes over. For most UK firms, primary cover is sufficient; for firms with large contracts, regulated minimums above one-insurer capacity, or aggregate claims exposure, excess layers are essential. This entry explains the mechanics.

WHEN EXCESS LAYER IS NEEDED

- **Contractual requirements.** A client contract requires £10m of cover, but no single insurer wants to write £10m on that risk; primary writes £5m and excess writes £5m over the top.
- **Single-insurer capacity caps.** Some insurers cap any single risk at £2m or £5m; firms wanting £10m need to stack layers.
- **Aggregate exhaustion protection.** Firms with high claim frequency benefit from an excess layer that catches any year where primary is exhausted.
- **Profession-specific stacking.** SRA Minimum Terms allow stacked cover. Architects with HRB exposure often need excess layers because single-insurer appetite is limited for that work.

HOW THE STACK WORKS

A typical £10m stack for a mid-sized professional firm:

- **Primary £2m** — written by Insurer A, responds to all claims from £nil upwards
- **First excess £3m** — written by Insurer B, responds after primary is exhausted (or in the same claim if primary is committed)
- **Second excess £5m** — written by Insurer C, responds after both lower layers are exhausted

Each layer "drops down" when the layer beneath is exhausted by paid claims. Defence costs typically run within the layer being engaged.

WORDING ALIGNMENT BETWEEN LAYERS

The most common cause of dispute in stacked PI is wording mismatch. The primary may cover a particular claim type that the excess does not, or vice versa. Two patterns:

- **"Follow form" excess** — the excess wording follows the primary wording, with limited carve-outs. Simplest structure; lowest mismatch risk.

- **Stand-alone excess wording** — the excess has its own wording. Often broader in some respects, narrower in others. Mismatch risk higher.

Follow-form is the cleaner choice unless there is a specific reason to depart from it. The broker's job is to identify any wording gaps between layers and either fix them or flag them.

PRICING

Excess layer premium is rated as a proportion of primary premium, decreasing with attachment:

- First excess attaching at £2m — typically 50–70% of primary premium
- Second excess attaching at £5m — typically 25–45% of primary premium
- Third excess attaching at £10m — typically 15–30%

For a firm with £2,000 primary premium, a £3m first excess might cost £1,200, a £5m second excess might cost £700. Total premium for £10m: roughly £3,900 vs primary-only of £2,000. The marginal cost per additional £1m of cover decreases with attachment height.

REINSTATEMENT ACROSS THE STACK

Reinstatement on the primary layer restores the primary limit after a claim. Excess layers may or may not have reinstatement. Common pattern:

- Primary: one reinstatement (so primary limit is effectively double in any one year)
- First excess: no reinstatement
- Second excess: no reinstatement

This protects against frequency without paying for reinstatement at every layer (which would be expensive).

CLAIMS HANDLING ACROSS LAYERS

When a claim is paid above the primary limit, the primary insurer's claims team typically continues to handle the claim — but with the consent and oversight of the excess insurer. Coordination matters:

- The primary insurer settles within its layer; the excess takes over for any further claim cost
- The defence solicitor may be appointed by the primary or the excess depending on the structure
- Settlement decisions above primary need the excess insurer's consent
- Wording disputes between layers (e.g. excess insurer disagrees the claim falls within their cover) can stall the process

A broker who handled the original placement coordinates the layers when a claim arrives.

PRE-STACKED PRODUCTS

Some insurers offer "pre-stacked" products where the insurer themselves provides the primary AND excess layers in a single contract. The advantages: one wording, one claims team, no inter-insurer dispute. The disadvantages: single-insurer concentration risk if the insurer fails, less competitive pricing for the excess layer.

ABOUT APEX INSURANCE BROKERS

Apex Insurance Brokers Limited places stacked PI cover for UK professional services firms requiring more than single-insurer capacity. FCA firm reference number 724952. We coordinate the primary placement with excess layers, manage the wording alignment, and stay on the file through any cross-layer claim. Stacks of £5m, £10m, £25m+ are routine for our larger professional services clients.

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