

PI INSURANCE FOR FRANCHISES AND PROFESSIONAL SERVICES NETWORKS

Reviewed by Matthew Bartlett, Director · Last reviewed 2026-06-23

Franchise networks and professional services networks introduce PI questions that single-firm arrangements don't have. Who's the insured? What if a franchisee's act exposes the franchisor? When does network branding create vicarious liability? This entry explains the structural choices for UK franchise and network PI in 2026.

THE THREE COMMON STRUCTURES

1. **Master policy.** The franchisor takes out a single PI policy covering the franchisor and all franchisees. Franchisees pay into the cost.
2. **Franchisor-only policy plus required franchisee cover.** The franchisor insures its own activities. The franchise agreement requires each franchisee to maintain their own PI to a specified minimum.
3. **Endorsed individual policies.** Each franchisee has their own policy, but the franchisor is named as additional insured (or vendor-of-record) to catch cross-liability.

Each structure has trade-offs. The choice depends on network size, control over franchisee operations, and the franchisor's appetite for centralised cover.

MASTER POLICY ADVANTAGES AND DISADVANTAGES

Advantages:

- Single wording across the network — no franchisee falls into a gap
- Bulk-buying typically gets better terms than individual placement
- Claims handling is centralised
- Brand consistency in any disputed claim

Disadvantages:

- The aggregate limit may be exhausted by a single franchisee's claim, leaving others uninsured
- Claims experience aggregates across franchisees — one bad franchisee affects everyone's premium
- The franchisor takes on more administrative burden
- Setting equitable cost-sharing between franchisees can be politically difficult

FRANCHISEE-ONLY POLICY ADVANTAGES AND DISADVANTAGES

Advantages:

- Each franchisee bears their own claims experience
- Aggregate limits are franchisee-specific
- Lower franchisor administrative burden

Disadvantages:

- Wording inconsistency across franchisees creates gaps
- Franchisor needs to verify each franchisee's cover annually (administrative cost)
- Brand exposure if a franchisee is uninsured or under-insured
- No central claims coordination

THE VICARIOUS LIABILITY QUESTION

Even if franchisees are nominally independent, the franchisor may face vicarious liability when:

- The franchisor controls the franchisee's operations beyond brand standards (training, methodology, mandatory procedures)
- The franchisor's branding implies a single entity to consumers
- The franchise agreement imposes service standards that the franchisee allegedly failed to meet
- The franchisor's marketing made representations that turned out to be untrue

Vicarious liability can leave the franchisor named in a claim that the franchisee's policy doesn't fully cover. Franchisor-only PI cover should respond to this exposure even if there's no direct services performed by the franchisor.

THE "ADDITIONAL INSURED" APPROACH

A common middle ground: each franchisee maintains their own primary policy, AND adds the franchisor as additional insured (or "vendor of record"). This:

- Lets the franchisee's policy respond to any franchisor named as defendant on a franchisee's claim
- Avoids the franchisor's own policy being engaged for franchisee-level acts
- Keeps premiums proportionate to each franchisee's risk profile

This approach is increasingly common in UK professional services networks. Implementation: the franchise agreement requires the franchisee to provide proof of additional-insured endorsement on annual renewal.

MASTER POLICY CLAIMS EXPERIENCE AGGREGATION

For master policy arrangements, all franchisee claims aggregate into the master policy's claims history. This means:

- One bad franchisee's claim affects everyone's renewal pricing
- The franchisor needs governance over franchisee risk practices (training, quality assurance, complaint handling)
- Recharging the premium fairly between franchisees requires a methodology that accounts for their relative risk contribution

Most master policies use a "per-franchisee allocation" based on fee income and claims history. The mechanics are complex but standard.

PROFESSION-SPECIFIC FRANCHISE ISSUES

- **Solicitors** — SRA Minimum Terms apply to each authorised firm. Network arrangements need to satisfy SRA minimums at the franchisee level.
- **Accountants** — ICAEW PI minimums apply to each ICAEW-authorised firm. Network branding doesn't create a single-firm position for ICAEW.
- **IFAs** — Each FCA-authorised firm needs its own PI per IPRU-INV 13.1. Network arrangements typically operate via Appointed Representatives, where the principal firm holds responsibility.
- **Insurance brokers** — Network arrangements often use AR structures; MIPRU 3.2.7R applies at the principal firm level.

ABOUT APEX INSURANCE BROKERS

Apex Insurance Brokers Limited places PI cover for UK franchise networks and professional services networks. FCA firm reference number 724952. We discuss the master vs franchisee-only structure, design the additional-insured arrangement, and place cover with insurers familiar with the network model.

