

HOW PI EXCESSES OPERATE

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

WHAT THE EXCESS ACTUALLY IS

The excess on a professional indemnity policy is the amount the insured pays before the insurer's indemnity attaches. In PI it is almost always an excess rather than a deductible — see [excess versus deductible](#) for the technical difference. The mechanic looks simple on paper. In practice the way the excess is structured shapes the insured's cash position on every claim.

EACH-AND-EVERY VERSUS AGGREGATE

An each-and-every excess applies to every claim separately. A firm with a £25,000 each-and-every excess and three unrelated claims in the policy year pays £75,000 in total. An aggregate excess caps the insured's total contribution across the policy year — £25,000 in aggregate means the insured pays at most £25,000 even if ten claims emerge.

Aggregate excesses are usually more expensive in premium terms because the insurer carries more of the early-claim cost. Larger firms with higher claim frequency — [multi-partner solicitors](#) and [accountancy practices with audit exposure](#) in particular — often prefer an aggregate position to make budgeting predictable.

HOW DEFENCE COSTS INTERACT WITH THE EXCESS

The excess usually applies to defence costs as well as damages. A claim that settles for nil but generates £40,000 of defence spend will erode a £25,000 excess and then call on the insurer for the balance. Where defence costs sit outside the limit — see [defence costs inside versus outside](#) — the excess still applies, but the limit is not eroded by defence spend. The interaction matters in mid-quantum claims where defence costs can match or exceed damages.

HOW INSURERS BEHAVE WHEN AN EXCESS ERODES MID-CLAIM

When defence costs and damages combined approach the excess, insurers begin to engage actively even if cash has not yet been called from the insured. Most PI insurers will:

- Open a file and appoint panel solicitors as soon as a notification arrives
- Allow the insured to manage the defence informally while spend sits below the excess
- Take over the conduct of the file once the excess is likely to be exceeded
- Invoice the insured for the excess as a one-off contribution before settling the remainder

The take-over moment is sensitive. The insured loses some control over settlement strategy at the point the insurer's money is on the table. Apex documents the handover and confirms the insured's continuing right to be consulted under the claims cooperation clause.

SUB-LIMITS AND INNER EXCESSES

Some PI policies impose inner excesses on specific exposures — cyber liability, mitigation costs, or certain client types. A firm with a £25,000 general excess and a £50,000 inner excess for cyber-incident defence will pay the higher figure when a cyber-incident claim emerges. Inner excesses are easy to miss on renewal because they sit in the policy schedule rather than the main wording.

EXCESSES ON LAYERED PROGRAMMES

Excess layers above the primary follow the primary's terms but do not normally introduce a second excess. A firm with a £2m primary and a £3m excess layer pays the primary excess once; the excess layer attaches at £2m and the insured pays nothing further. For [architects](#), [engineers](#) and [quantity surveyors](#) on tower structures, the excess analysis sits at primary-layer level.

WHAT TO TEST AT RENEWAL

Apex reviews the excess structure every renewal — each-and-every versus aggregate, inner excesses, the interaction with defence costs, and the cash flow implications across the firm's claim history. A change in claim frequency or quantum often justifies a move from aggregate to each-and-every or vice versa, even where the headline premium is similar.

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