Apex Insurance Brokers

RUN-OFF PI INSURANCE COVER IN DETAIL

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

Run-off cover is the PI policy that continues to respond to claims after a business stops trading. Because PI is written on a claims-made basis, the policy in force when a claim is made is the one that pays — and once the business stops, the only way to maintain that protection is run-off cover. This entry covers the mechanics, the timing, and the cost.

WHEN RUN-OFF APPLIES

Run-off cover starts when the active business ceases. The triggering events:

- The sole trader retires
- The partnership dissolves
- The limited company stops trading
- A firm is acquired and the buyer doesn't assume the seller's claims liability
- A firm transfers to a different legal structure (e.g. unincorporated to limited) — the old entity needs run-off; the new one needs fresh cover

What it does NOT cover: new work done after cessation. Run-off is about old work, not future work.

HOW LONG SHOULD RUN-OFF RUN?

The principle: long enough for the legal limitation period on the work to expire, plus a margin for delayed-discovery claims.

Profession	Limitation period	Recommended run-off
Architects	6 years (contract) / 6 years (negligence) / 30 years (BSA s.135 for HRBs)	6 years minimum; longer if HRB exposure
Engineers	6 years generally, 30 years for HRB work	6 years minimum; longer if HRB
Surveyors	6 years (contract) / 15 years (Latent Damage Act for buildings)	6 years minimum; longer for building surveyors
Accountants	6 years	6 years

Solicitors (E&W)	6 years (contract) but SRA MTC requires 6 years run-off	6 years mandatory; many carry longer
IFAs	6 years (contract); FOS jurisdiction extends to 15 years from date of cause of complaint	15 years recommended given FOS reach
Insurance brokers	6 years; MIPRU 3.2.12R requires run-off	6 years mandatory

THE PREMIUM CURVE

Run-off is more expensive than active cover in the first year because the entire remaining tail of liability is concentrated in fewer policy years. The typical curve:

- **Year 1 run-off** — 100–125% of the last active year's premium
- **Year 2 run-off** — 80–100% of year 1 run-off
- **Year 3** — 60–80% of year 2
- **Year 4** — 50–70% of year 3
- **Year 5** — 40–60% of year 4
- **Year 6** — 30–50% of year 5

Cumulative cost over six years often totals 3.5–4.5x the last active year's premium. For a sole practitioner paying £2,000 in the last year, six-year run-off typically costs £7,000–£9,000 in total.

CHOOSING THE LIMIT FOR RUN-OFF

Common patterns:

- **Maintain last active year's limit** — the simplest and most common choice
- **Step down annually** — start at the active limit and reduce each year; cheaper, but if a high-value claim arrives in year 4 you may have insufficient cover
- **Match expected claim profile** — model the most likely claim quantum for outstanding work and size the limit accordingly

The "maintain last year's limit" approach is the default for most professions because pricing the alternative is difficult and the saving from stepping down is usually modest.

WHAT RUN-OFF DOES NOT DO

- It does not extend to new advice given after the cessation date
- It does not respond if the trade reverts (i.e. the practitioner restarts)
- It does not respond to liabilities of a successor business unless specifically arranged

- It may have a tighter exclusion regime than the active policy (older wordings can be reinstated for run-off; clarify what wording applies)

RUN-OFF AFTER A SALE

When a professional services firm is sold:

1. **Asset sale where claims liability stays with the seller** — the seller buys run-off cover for the pre-sale liabilities
2. **Asset sale with indemnity from buyer for pre-sale claims** — the buyer's policy may need to cover the inherited exposure; check the wording
3. **Share sale** — the limited company continues, and its existing policy continues to apply; no run-off needed unless the company subsequently winds up
4. **Merger of partnerships** — the new partnership inherits the old partnership's claims liability; run-off may be needed for partners who do not transfer

Get the run-off arrangements documented in the sale agreement. Disputes about who buys run-off cover are a regular feature of post-sale litigation.

RUN-OFF AND SRA COMPENSATION FUND (E&W SOLICITORS)

For E&W solicitors, the SRA Compensation Fund provides backup if the firm's PI policy is insufficient AND the firm has insolvency-related issues. The fund is not a primary cover and does not remove the need for proper run-off. It's a safety net for client compensation in defined circumstances.

ABOUT APEX INSURANCE BROKERS

Apex Insurance Brokers Limited arranges run-off cover for UK professional services firms ceasing trade or transferring structure. FCA firm reference number 724952. We model the run-off curve, structure the cover to match the limitation profile of your profession, and discuss whether to maintain the limit or step down.

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- Architects PI
- Solicitors PI