WHAT DOES PROFESSIONAL INDEMNITY INSURANCE COVER? THE 2026 UK POSITION

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

Professional indemnity insurance covers a specific list of risks. Outside that list, it does not respond. This entry sets out what a typical UK PI policy actually covers in 2026, what it usually does not, and the optional extensions firms can add.

THE CORE INSURING CLAUSE

Most UK PI wordings say something like: "We will indemnify the insured against legal liability to a third party for compensation arising from a breach of professional duty in the conduct of the insured's professional business." That sentence is doing a lot of work. Unpacked, it covers:

1. A **legal liability** — not a moral one, and not a discretionary commercial settlement
2. To a **third party** — usually a client, but sometimes a non-client who relied on the insured's work
3. For **compensation** — financial damages, not contractual debts or restitution
4. Arising from a **breach of professional duty** — negligence, error or omission in the professional service
5. In the conduct of the **insured's professional business** — work that falls within the activities declared to the insurer

WHAT IS TYPICALLY COVERED

- **Negligent advice, services, or design** — the core protection
- **Breach of confidentiality** — accidental disclosure of confidential information
- **Defamation** — libel or slander committed in the course of professional services (rare but real)
- **Intellectual property infringement** — accidental breach of copyright, trademark or patent (often subject to a sub-limit)
- **Loss of documents** — costs of reconstituting lost client documents
- **Dishonesty of employees** — protection against client losses caused by employee fraud or dishonesty (sub-limited, with conditions)
- **Defence costs** — legal costs of defending a claim, usually IN ADDITION to the indemnity limit on better wordings, INCLUSIVE on weaker ones
- **Mitigation costs** — costs of taking reasonable steps to avoid or reduce a claim that has not yet been made
- **Civil regulatory investigation costs** — costs of responding to a regulator's investigation, often sub-limited

WHAT IS TYPICALLY NOT COVERED

- **Fraud or dishonesty of the insured** — but defence costs may be covered until guilt is established
- **Criminal fines or penalties** — uninsurable as a matter of public policy
- **Bodily injury or property damage** — that is public liability territory
- **Contractual liabilities exceeding common law** — performance guarantees, indemnities beyond negligence, agreed liquidated damages

- **Liabilities of associated companies** — work for sister companies, parent companies, or other entities under common control unless specifically extended
- **Insolvent client losses** — losses caused by client insolvency itself (the insured's negligence in advising on insolvency may still be covered)
- **Asbestos, pollution, terrorism** — standard exclusions, sometimes sub-limited back in
- **US/Canada exposure** — usually excluded for UK-domiciled policies unless specifically extended
- **Cyber events** — increasingly carved out from PI and routed to cyber liability cover

DEFENCE COSTS TREATMENT

This is one of the most important wording points. Two patterns:

- **Costs in addition** — defence costs are paid on top of the limit of indemnity. A £2m policy with £500k of defence costs pays £2.5m in total.
- **Costs inclusive** — defence costs erode the limit. A £2m policy with £500k of defence costs leaves only £1.5m for the claim itself.

For high-litigation professions (solicitors, IFAs, design and build contractors), costs-in-addition wordings are materially more valuable. For low-litigation professions, the difference is smaller but still relevant.

CLAIMS-MADE TRIGGER

UK PI is almost universally written on a claims-made basis. The policy that responds is the one IN FORCE WHEN THE CLAIM IS MADE, not the one in force when the negligent work was done. This matters when:

- A firm changes insurer at renewal — the new insurer picks up claims that come in during their policy period, including for old work, provided no exclusion applies
- A firm winds down — without run-off cover, claims arriving after the last live policy are uninsured
- An insurer becomes insolvent — the policy goes with them; the FSCS provides some protection but not always at full limits

OPTIONAL EXTENSIONS WORTH CONSIDERING

- **Costs in addition** — if your base wording is inclusive, extending to costs-in-addition is usually inexpensive and valuable
- **Reinstatement of limit** — restores the indemnity limit after a claim, so a single big claim doesn't exhaust the year's cover
- **Wider definition of insured** — extends cover to consultants and subcontractors directed by the insured
- **Aggregation modification** — alters how a series of related claims is treated as one (relevant for high-volume professions)
- **Worldwide jurisdiction** — covers claims brought in non-UK courts (usually excluding US/Canada)

ABOUT APEX INSURANCE BROKERS

Apex Insurance Brokers Limited reads PI wordings line by line and explains what your policy actually covers. FCA firm reference number 724952. If you would like a wording review on your current policy or guidance on what to look for in a quote, we are happy to discuss.

RELATED PROFESSIONAL INDEMNITY GUIDES

- Architects PI
- Solicitors PI
- Accountants PI