

MFL Professional's
insurance newsletter for
CAAV Member Practices.
Issue No. 1

Dear CAAV Members,

I would like to welcome you to this first edition of "Professional Values", which is a newsletter aimed specifically at the professional exposures of rural surveying practices and the insurance solutions designed to protect them.

In this first issue, we assess the current state of the PII market for surveyors and what we can do to help you, as well as providing you with some general tips on the management of your professional risks.

I do hope you enjoy reading the first copy of "Professional Values". Please feel free to contact me if there is a particular topic you wish us to include in future issues.

Yours sincerely,



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Contact Jonathan Leese
with your questions and
feedback on Professional
Values or to discuss your PI
insurance requirements.

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A difficult market: Do you need our help?

In recent years, the Professional Indemnity Insurance market for surveyors and valuers has been at its most difficult since the mid-1990's. As a result of substantially increased claims activity and damages awards, largely driven by allegedly negligent valuations in connection with residential, buy-to-let and commercial property lending, many insurers have imposed significant increases in premium and excess levels, drastically reduced their acceptance criteria for insuring surveying firms (especially with regard to the proportion of valuation work undertaken) or, in some cases, withdrawn from the market altogether.

The most recent high-profile withdrawal has been Aviva Insurance (formerly Norwich Union/General Accident), who took the decision that they could no longer make money from PII for any professional business with a turnover of less than £10 million: and this from the insurer who used to be the official market for the ISVA scheme for many years.

However, it is not all bad news! There still remains an active PII market for surveying firms, albeit that this includes a number of less experienced insurers in this field. Our own PII scheme for CAAV member practices – which offers competitively priced premiums and low levels of policy excess – is arranged with high quality insurers of long standing in the market and whose claims handling is fair, reasonable and thoroughly professional. Why not call us to see if we can help?

Risk management tips for surveying firms

As specialist Professional Indemnity Insurance Brokers, we are often asked by our

rural surveying clients what can be done to avoid the risk of their incurring professional negligence claims against them. There is no easy answer to this question, since the source of such claims is often unexpected; however, there is no doubt that, by following certain basic risk management principles and applying them to the individual characteristics of your own practice, you can certainly reduce the likelihood of claims and, if they do still occur, be in a good position to mount a robust defence against them. Rural surveying does not have a particularly strong history of risk management culture. This is largely due to the rather informal and communal nature of business relationships in the countryside. This is both a strength – clients are probably less likely to sue – and a weakness: if they do sue, it will be more difficult to defend the claim through documentary evidence. Therefore, to introduce risk management procedures into everyday professional work requires a commitment to a change of culture without damaging client relationships.

In simple terms, there are three principal areas of risk that should be addressed above all others:

- Client risk
- People Risk
- Process Risk

Client risk

Procedures should be in place to regulate the vetting of new potential clients to the practice, including compliance with Money Laundering Regulations, as well as undertaking a conflict check on the receipt of any new instruction: a well maintained client and property database can help here.

It is then important to establish from the client their exact

requirements and, assuming the practice will be able to deliver, to record the agreement in writing. The delineation of responsibilities avoids misunderstandings later on. Many PI claims are caused by misplaced expectations on the part of the client.

People risk

When allocating a new job to a valuer, bear in mind both the competence of the individual and his or her capacity to do the work in the time available. If the work is to be allocated to a junior member of staff, will the practice be able to arrange adequate supervision and back-up? Again, many PI claims result from "rushed jobs", which may embarrass even the most experienced valuer.

Process risk

Good office systems and procedures are essential to ensure that work is done to the right standard, within the right timescale and is properly recorded. Complete and accurate records of site notes, comparables and methodology should be kept for valuations to rely upon as evidence in the event of a PI claim, and clear and thorough reports should be produced in accordance with the written agreement, ideally cross-checked for accuracy. The use of checklists and reporting templates is recommended.

Risk management also involves a commitment to reviewing the professional risk exposures of the practice on an ongoing basis. Whenever there are proposed changes to the nature of the work or to the structure of the business, management of the PI risk should always be considered.

MFL Professional is a specialist insurance broker to rural surveying practices and, having been an adviser to the CAAV since 1997, we run an exclusive and competitive Professional Indemnity Insurance Scheme for those firms whose principals include qualified CAAV members.