

Are you familiar with the concept of a Cost-Exclusive Limit and a Cost-Exclusive Retention?

In the current climate of increased litigation, defence costs continue to spiral out of control.

Defence costs can run into hundreds of thousands of dollars and includes such things as legal fees and expenses incurred in drafting defences, preparing advices, undertaking discovery, taking witness statements, co-ordinating preparations and attendance at hearings. Litigation may also require the use of specialists, such as forensic accountants and expert engineers.

With all of these potential costs to consider, brokers and policyholders need to decide whether the limit of indemnity of the current policy is sufficient.

Are you familiar with the concepts of Costs-Exclusive Limit and a Costs-Exclusive Retention?

A Costs-Exclusive Limit means the defence costs are indemnified by the Insurer in addition to the Limit of Indemnity of the policy.

A Costs-Exclusive Retention means the retention applies to the settlement of the claim, but not to the defence and investigation costs of the claim. This is advantageous to insureds compared to a costs inclusive retention, where defence costs will be payable by the insured from the ground up until retention is exhausted.

In order to provide policyholders with a more comprehensive Professional Indemnity cover, AIG now includes a Costs-Exclusive Limit and Costs-Exclusive Retention across a number of our new ProfessionalEdge policy wordings.

Easily quote and bind ProfessionalEdge policies online via Sunrise or the AIG Transact Business Portal.

Winning Tip No. 5

Many factors need to be considered when deciding on a Limit of Indemnity under a Professional Indemnity policy including the occupation, type of clientele, industry in which the Policyholder operates, size of contract and potential exposure.

In addition, defence costs can be quite expensive in the current litigation environment. Brokers and policyholders need to consider whether the limit of indemnity will be sufficient to not only cover damages, but also the often significant costs associated with defending claims.



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