

PROFESSIONAL INDEMNITY FOR F&Is

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AUTOF&I
PRODUCTS & CONSULTING SERVICES

Professional indemnity is about managing risk; and in today's litigious world, the risks an F&I manager takes can be extraordinarily high.

The demand for professional indemnity insurance has increased over recent years due to the higher frequency and severity of claims, changing legislation, advanced technology and economic conditions.

Professional indemnity insurance provides any individual, company or organisation providing advice, design work or other professional service, with indemnity (including costs and expenses) in respect of legal liability arising out of the practice of their profession. It covers you and your business in the event of damages being awarded against you due to professional error, omission or act of negligence towards a third party to whom you owe a duty of care. Your cover must be in force when the work is performed and when the claim is lodged.

The world in which F&I professionals operate is one of ever-increasing pressure, with demands for quick answers and cost-effective solutions. This pressure can lead to errors and omissions, which can and do give rise to claims. This, together with the litigious nature of our society, underscores the need for professional indemnity insurance, both for clients and professionals.

Circumstances which give rise to professional liability claims are seldom clear cut. In cases where the professional is blameless, he or she may nevertheless be drawn into lengthy disputes, which can be financially and emotionally draining. Professional indemnity insurance provides both parties with peace of mind and financial protection.

It is important to note that any person providing financial and intermediary services has to comply with the FAIS Act No. 37 of 2002 and this is then also applicable to any motor dealership where such financial and intermediary services are being provided.

The act has been amended in terms of Board Notice 123 of 2009. Professional indemnity insurance and fidelity insurance, depending on the category of the person who is the provider of the financial and intermediary services, are becoming compulsory. Motor dealers providing financial and intermediary services, who does not receive or hold clients' financial products or funds on the date of commencement, would be regarded as falling under category 1 and, with effect from 21 September 2010, would be required to maintain in force in respect of clients the following:

- Suitable guarantees of a minimum amount of R 1 million; or
- Suitable professional indemnity cover of a minimum amount of R 1 million.

Any person who provides financial and intermediary services should take note of the schedule attached to the Board Notice 123 of 2009 to verify the types of insurance cover to be in place, the limits of indemnity required and the date when such insurance cover/s should be in place having regard to the category under which such person would fall.

It is best advised that cover is put in place sooner rather than later. Professional indemnity insurance cover provides the owner of a business with peace of mind that their business and their customers are protected; and from the customer's perspective, it is always reassuring to do business with a prudent and responsible dealership.

Apart from the legislative requirement to have this cover, it is essential for businesses that provide financial and intermediary services as a core or auxiliary function. A large claim could cost you your business.

