

Insurance for your professional services business



Running a professional services business – whether you're a lawyer, accountant, engineer or consultant – comes with opportunities, but also challenges and risks.

While your expertise and knowledge are your primary assets, they also expose you to potential liabilities that can have significant financial and reputational consequences.

Understanding these risks and having the right insurance cover in place is crucial to help protect your business.

Common professional services risks

1. Professional negligence

Professional negligence, or errors and omissions, is a significant risk for professional services businesses.

This happens when a client claims your advice, service or work was incorrect, incomplete or failed to meet the expected standard, resulting in financial loss or other damages. Even the most experienced professionals can make mistakes, and the consequences can be severe, which is why insurance is important.

2. Breach of contract

Breach of contract claims can happen if you fail to deliver services as agreed in a contract. This includes missing deadlines, not meeting the scope of work or not adhering to the terms and conditions outlined in the agreement.

These claims can lead to costly legal battles and damage your business's reputation.

3. Data breaches and cyber attacks

Data breaches are expensive, with [research](#) indicating cyberattacks cost Australian small businesses like lawyers and accountants \$300 million a year.

Professional services businesses handle a vast amount of sensitive client data, which makes them attractive targets for cybercriminals. A data breach or cyberattack can mean client and confidential firm information is stolen or compromised, leading to extremely serious consequences like financial losses, legal liabilities and damage to your business's reputation.

4. Workers' compensation risks

All firms that employ people face the risk their staff will be injured in the workplace.

It's mandatory under state-based laws that all businesses, including professional services firms, have cover for risks such as workplace injuries.

Essential insurance cover for professional services firms.

These are some of the main insurances professional services firms need to have in place.

Professional Indemnity insurance

This is the cornerstone coverage for professional services businesses. It can provide cover for claims of negligence, errors, omissions or breaches of duty in the services you provide.

Professional Indemnity (PI) insurance can cover legal costs and damages awarded to the claimant, so your business can keep operating without a lawsuit taking up the lion's share of the business's resources and time.

Here are some of the benefits PI insurance may provide:

- covers the cost of defending a claim.
- pays damages or settlements awarded to the claimant.
- helps manage your business's reputation by providing the financial means to address and resolve claims promptly.

Public liability insurance

Public liability insurance provides cover for your business for claims for bodily injury or property damage to third parties such as clients, visitors or members of the public from your business activities.

While professional services businesses may not have the same level of physical interaction as other industries, there is still a risk of accidents occurring on your premises or as a result of your work. So, this cover can be important.

Cyber insurance

Cyber insurance can help protect your business against the financial losses and liabilities associated with data breaches, cyberattacks and other cyber-related incidents. This coverage is important for professional services businesses that handle sensitive client data and rely heavily on digital systems.

Cyber insurance can provide cover for:

- the costs of notifying affected parties, providing credit monitoring services and managing public relations.
- the costs of dealing with cyber extortion attempts, such as ransomware attacks.
- lost income and additional expenses if your business operations are disrupted due to a cyber incident.

Workers' compensation insurance

Workers' compensation insurance is mandatory across all states and territories in Australia.

It can cover staff's medical expenses, rehabilitation costs and lost wages due to work-related injuries or illnesses. Having adequate workers' compensation insurance helps firms meet their legal obligations.

Directors and officers insurance

D&O insurance can help protect the personal assets of directors and officers of your business in the event they are sued for alleged wrongful acts in managing the company.

This cover is particularly important for professional services businesses that have a board of directors.

Business interruption insurance

Business interruption insurance may cover the loss of income and additional expenses if your operations are disrupted due to an event like a natural disaster, fire or cyberattack. This can help your business to continue to meet its financial obligations like staff wages while the business gets up and running again.

Having the right insurance helps protect your business against the most common claims. Talk to your Steadfast broker today about understanding your risks and ensuring you have comprehensive insurance coverage so you can focus on what you do best, delivering high-quality professional services to your clients.

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