



A VL real life claim example

# Professional Indemnity

## Accountant's Error – Depreciation

After an IRD seminar on earthquake related topics the Insured accountant realised that he may have misinterpreted the IRD rules on the treatment of depreciation on buildings damaged in the Canterbury earthquakes. He reported the circumstances as a possible claim under his Professional Indemnity Insurance.

With significant losses to 3 of the Insured's clients, a specialist taxation barrister was engaged. The lawyer was aware of some "grey areas" in the emergency tax rules and on his recommendation the three matters were reported to the IRD with his submissions on the questionable rules. The IRD accepted their position was arguable and the Insured's client's tax position was allowed to stand.

CEG 029-102019/000



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## Breach of Confidentiality

A married couple instructed the Insured law firm to make their wills. The wife had a specific provision in her will for a bequest to go to her child who she had adopted out 45 years earlier. Her husband had no knowledge of the child. She made a strict instruction to the firm that her will had to remain strictly confidential until her death.

The couple decided to sell their joint family home and the husband asked the lawyers to send them copies of any files they may have held on the purchase of the house some 20 years earlier. Unfortunately, the firm sent copies of both wills. The disclosure of the will to her husband against her direct instructions caused her considerable distress.

She has lodged a complaint with the Law Society as well as intimating a claim for compensation for emotional harm.

CEG 030-102019/000



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## Breach of Copyright and/or Design

The Insured is an importer and distributor of stationery products and supplies. It held a Professional Indemnity policy. At the request of one of its customers, the Insured arranged for the manufacture and supply of filing racks. These were similar to a competing product supplied to the customer by a different manufacturer.

The Insured failed to make reasonable efforts to determine if any Patent, Copyright or Design Registration existed on the specific rack design in question.

The other manufacturer issued proceedings against the Insured for significant damages arising from breach of copyright or Patent infringement. The proceedings were defended and an agreed out of court settlement was negotiated.

CEG 031-102019/000



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## Breach of Security Interests

The Insured is an auctioneer. The claimant is a Japanese used vehicle importer. It supplies vehicles to several NZ vehicle dealers.

One of the dealers went into liquidation. The dealer owed significant sums of money to the plaintiff.

The failed dealer had been selling the majority of the vehicles (supplied by the importer) through the Insured's auctions. The basis of the claim alleged that the Insured had converted the importer's security interest in the vehicles by selling them at less than market value and in many cases less than NZ landed cost.

The importer issued proceedings against the Insured. The Insured's defence was that by its very nature an auction determines "market value" and that the Insured had no means of knowing landed cost nor did it need to.

The matter proceeded to trial and was successfully defended.

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## Project Management – Inadequate Supervision

The Insured company was a project manager and held Professional Indemnity insurance. It was contracted by the owner developer to provide project management services for the construction of a retail complex which had some unusual design features in its roof.

The owner engaged a specialist contractor to affix the roof sheathing. It quickly became apparent that the fixing method was deficient in hot sunny conditions.

The owner issued proceedings against the contractor for damages. The contractor joined the Insured as a third party to the proceedings alleging that the Insured had failed to take reasonable care to ensure that the materials and work methods were tested prior to fixing and that the supervision of the work was adequate.

A solicitor was appointed. The claim was settled at a Judicial Settlement Conference with the Insured's contribution being met under their Professional Indemnity policy.

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