

**Autumn 2024 Bulletin**  
**Material Uncertainty? –**  
**Professional Indemnity**  
**Insurance for CAAV Members**



## Material Uncertainty? – Professional Indemnity Insurance for CAAV Members

As in previous years and rather timely this Autumn, following the October Budget we take another look at valuation work and Professional Indemnity insurance (PII), specifically highlighting how your Practice might alleviate any potential nervousness caused by the Budget announcements on Agricultural Property Relief and Business Property Relief.

### Material Uncertainty Clauses?

A material uncertainty clause within a valuation report makes clear that your client, in relying upon that report, understands that it has been prepared under extraordinary circumstances.

For our part, as specialist PI Insurance Brokers to the sector, we are working with Insurers on the CAAV Members' facility to ensure they continue with their stable approach to underwriting your Practice.

The RICS have issued their own guidance on the use of Material Valuation Uncertainty clauses within valuations of agricultural land and farms, see link: <https://www.rics.org/news-insights/recent-budget-announcements-on-agricultural-property-relief-and-business-property-relief>.

The CAAV itself has also provided some more detailed commentary citing practical features which might impact a valuation, see link: <https://www.caav.org.uk/news/jeremys-blog-8th-november-2024-the-budget-trump-and-other-risks>.

### What Is the Threat To Valuers?

Whilst it feels it has been forever thus, a quick internet search using the term 'professional negligence claims against valuers' will be quite illuminating, if somewhat depressing. The impact of a successful claim against the Practice can be quite significant. However, as demoralising as that internet search might be, a robust defence should a claim be made can be achieved.

### What Can the Practice Do?

Whilst the RICS' advice in these circumstances tends to leave the ultimate decision as to whether to utilise the material uncertainty clause with yourselves, we'd suggest that doing so where practical would evidence strong risk management on your part to PI Insurers (in conjunction with other good procedures within your valuation process), making clear that an appreciation of the exposures facing you as a Practice is at the forefront of your approach.

Might you face some opposition from your clients in seeking to insert this clause? Possibly of course, but bear in mind it does not mean the valuation cannot be relied upon, instead it sets out to all parties the, arguably, extraordinary circumstances now facing the sector mean that less certainty might be applied to the valuation (than had been the case pre-Budget).

It makes a difference – not just now whilst we find ourselves in 'soft' (PII) market conditions but in future years too when the PII market cycle may once again turn 'harder'.

In turn, the PI Insurer takes some comfort and remains confident in setting their own terms going forward.

In summary, should you be considering this approach, we'd ask that you please let us know either as part of your renewal process (and where your proposal forms will draw out your wider methodology) or if you prefer, during the course of your insurance period, providing a copy of the final clause/terms you intend to use. We'd be happy to discuss too.

If you do have any queries regarding the content, or wish to discuss your PII renewal, please contact us.