Review of PII Regulations

ONLINE SURVEY

Background

ICAEW is conducting a review of its professional indemnity (PII) insurance requirements. The aim is to ensure that the arrangements remain fit for purpose and provide adequate protection to the public while being mindful of the cost to the profession.

Insurance requirements

Professional indemnity insurance (PII) is mandatory for ICAEW members in public practice and individuals and firms that undertake activity which is regulated by ICAEW under statute (i.e., audit, insolvency, exempt investment business and probate).

Firms which are within scope of ICAEW's regulations have a duty under the ICAEW PII Regulations to take reasonable steps to meet claims arising from public practice. As part of this, firms/groups of firms with fewer than 50 principals must put in place 'qualifying insurance'. This is insurance which:

- is provided by a 'participating insurer' (see below);
- complies with ICAEW's minimum approved policy wording; and
- provides 6 years retroactive cover (i.e., cover for claims arising in relation to activities carried on by the firm during the last 6 years save for circumstances and claims known about prior to the inception of the policy).

The current insurance requirements are set out in the following links:

- ICAEW's PII Regulations and guidance
- The Minimum Approved Wording:
- The availability of The Assigned Risks Pool (ARP)

A brief summary of the current requirements is available here, but it is recommended that this is read in conjunction with the full regulations linked above.

QUESTIONS

We are keen to understand your experience when dealing with PII and your views on aspects of the ICAEW PII Regulations, particularly those that prescribe the type and level of cover that our firms are required to hold. We would welcome feedback on positive experiences, as well as feedback on issues or concerns.

1. Do you think the current PII regulations are appropriate for your business and provide sufficient protection against claims arising from public practice?
    a. Yes
    b. No
    c. Not sure/don't know

2. Which of the following are major challenges to you/your firm when purchasing PII?
    a. Price
    b. Coverage
    c. Limit of indemnity (how much insurance you are required to have)
    d. Other (please specify)
    e. N/a [or none or something like 'We have no experience of facing any challenges]

3. Of these, which is the most significant challenge?
    a. Price
    b. Coverage
    c. Limit of indemnity (how much insurance you are required to have)
    d. Other (please specify)

4. Under the current PII Regulations, firms are required to hold insurance cover of 2.5 x gross fee income, subject to a minimum of £100k and a maximum of £1.5m per claim and in aggregate. What are your views on the £1.5m maximum limit of indemnity?
    a. It's too high
    b. It's too low
    c. It's an appropriate level

5. If you consider that the maximum limit of £1.5 million is too high / too low, what would be a more appropriate limit and how should this be calculated?

6. Under the current PII Regulations, the maximum excess on a policy is £30,000 multiplied by the number of principals in a firm. We define principal as a sole practitioner, partner, director or member of a limited liability partnership, of a firm.
    a. Is the term "principal" easy to understand?
    b. Of the following, which would be the most appropriate criteria to calculate the excess:
        i. Number of principals
        ii. Gross fee income
        iii. Highest fee in the last accounting year
        iv. Number of statutory directors
        v. Other (please specify)

7. At present, a large firm is defined as one with 50 principals or more. Large firms are not required to put in place 'qualifying insurance', and their compliance with the PII regulations, is monitored by the Financial Reporting Council.
    a. What are your views on this?
    b. How could a "large firm" be more appropriately defined?

   c. In what circumstances (if any) should a firm with a large commercial insurance programme (offering cover well in excess of £1.5m) be able to reduce or eliminate its requirement to comply with the minimum terms in the PII Regulations?

8. If an ICAEW firm ceases to practice, they must put in place PII cover for at least two years, and use their best endeavours to put in place cover for a further four years. ICAEW recommends that run-off cover be maintained for **six years** and the terms and extent of any cover must be equivalent to any previous insurance. Do you consider that ICAEW's run-off requirements provide sufficient protection to the public?
   a. Yes
   b. No
   c. Don't know / not sure

9. Would you be concerned that any changes to the current run-off requirements could have a detrimental effect on the availability or cost of run-off insurance in the accountancy market?

   a. Effect on availability
   b. Effect on cost
   c. Effect on both availability and cost
   d. Effect on neither
   e. Don't know/not sure

10. Do you have any other specific concerns or feedback about ICAEW's PII Regulations that are not already covered?

11. Finally, what changes, if any, to the PII requirements would facilitate your business as well as ensuring protection to the public?