



# ***PII Review Project - update***

## **STATUS**

1. The report and appendices are open, subject to certain sensitive paragraphs covering emerging policy issues that have been redacted in blue.

## **EXECUTIVE SUMMARY**

2. This paper provides an update on the project to review ICAEW's PII Regulations, to assess whether they are fit for purpose and ensure protection of the public at a sustainable cost to the profession.
3. A Call for Evidence has been launched which combines an online questionnaire, with targeted meetings. This approach aims to explore both the breadth and depth of issues that may require attention in any re-draft to the PII Regulations.
4. Both strands of the Call for Evidence are live and the PII Committee will be analysing the results from the questionnaire and feedback from meetings to inform any proposed redrafts to the regulations.
5. We intend to update the IRB at its next meeting on the key themes arising from the Call for Evidence and on our thoughts on potential changes to the regulations.
6. It is intended that a public consultation will be held in autumn 2023 on the detail of any proposed changes.

## **RECOMMENDATIONS**

7. The IRB is asked to note the progress on the project to date, and to provide any comments on the areas under review.
8. The IRB is asked to approve the classification of the paper, and appendices, as open and identify where redaction may be appropriate, as has been highlighted in blue.

## SCOPE OF REVIEW

### Background

9. For ICAEW's PII Regulations to ensure protection of the public at a sustainable cost to the profession, we need to ensure they are fit for purpose. The PII Regulations have not been subjected to a review for a number of years and questions have arisen as to whether certain aspects remain relevant. A number of issues were identified that prompted the need for a review of the regulations, including:
  - The evolving nature of firm structures that challenge our current regulations and guidance, in particular with larger firms, or firms that are part of group structures.
  - The financial capacity of members and firms to retain (self-insure) risk
  - Continuing pressure to manage cost of PII
  - Difficulties in the insurance market that have historically led to an increase in dispensation applications
  
10. The key areas the PII Committee identified for review are:
  - How much insurance should firms have, and how should the amount be calculated / vary depending on firm size etc?
  - How to address use of captive insurance / very large commercial insurance programmes?
  - What run-off cover should be required for firms ceasing to trade?
  - Arrangements and qualifying conditions for dispensation

### Call for Evidence

11. As the first phase of the review project, PSD launched a Call for Evidence to gain a better understanding of issues faced in the market. The Call for Evidence outlined ICAEW's concerns regarding existing regulations and where change is being considered.
12. The Call for Evidence has been structured with two main strands; the first of these is an online questionnaire that seeks views from a broad range of members; the second is a series of targeted meetings with key stakeholders to explore certain aspects of the PII Regulations in depth. The objective of this twin-track approach is to ensure that a wide audience is consulted and given the opportunity to provide feedback, while also giving PSD a more detailed understanding of the position of key stakeholders.
13. The open dialogue with stakeholders (firms, members, insurers and brokers) should ensure that PSD identifies all of the important issues and recurring themes in respect of PII so that these issues are considered as part of the exercise to re-draft the PII Regulations, where necessary.
14. The questions in the online survey are included in appendix A. The list of questions provided to interviewees for the targeted meetings is included in appendix B. We have had 18 responses to-date.
15. We have also kept in contact with ICAS and CAI whose PII Regulations are consistent with ICAEW's, to keep them informed on the progress of the project. ICAS and CAI have agreed to share our online questionnaire with their members.

**Parties to interview**

- 16. Interviews have been arranged with a sample of brokers, insurers, and firms. To encourage open discussion of the issues, these discussions are being held primarily on a one-to-one basis. Invitations have been sent to the top five participating insurers as well as sample of managing general agents. The opportunity to provide feedback has also been highlighted to those firms who have recently applied for dispensation.
- 17. The parties selected for interview by the PII Committee are intended to provide a sufficient breadth of perspectives, including those who have been grappling with unusual firm structures that have caused issues in obtaining qualifying insurance. However, firm-interviewees have been chosen to avoid unnecessary duplication of discussions by speaking to stakeholders with a similar fact pattern and likely view.
- 18. To date, meetings have been arranged with:
  - Five firms
  - Four brokers
  - Three insurers
- 19. We are in the process of setting up meetings with one other firm and one other insurer, as well as a member who responded to the online questionnaire and was keen to have a further discussion about the review project. By 25 May 2023, 10 of the 12 meetings scheduled should have taken place with the potential for some additional meetings to take place in June if further responses are received.

**Feedback**

- 20. Feedback received to date from the meetings with stakeholders has been useful. Most participants are broadly supportive of the existing provisions of the PII Regulations.

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22. A sub-committee of the PII Committee is due to meet on 5 June 2023 to review the outcome of the Call for Evidence and to begin assessing the themes and key findings from respondents with a view to identifying areas that could warrant revision in the regulations.
23. We intend to then present these potential changes to the IRB in [July 2023] to agree the scope of the wider public consultation.

## NEXT STEPS

The outline timetable for the project is as follows:

Time	Action
April 2023	Issue online survey to firms via ICAEW website.
May/June 2023	Hold face to face meetings with insurers, brokers and any firms identified as of particular relevance to the review.
June/July 2023	Review results of online survey and face-to-face meetings and begin drafting amendments to PII regulations.
July/August 2023	Clyde & Co to review proposed redrafts to PII regulations.
September 2023	Issue public consultation on draft PII regulations – consultation to be open for 8 weeks.
December 2023 / January 2024	Review responses to consultation and reflect on final drafting changes
Q1 2024	Finalise proposals and apply to relevant oversight regulators and boards for approval of amended regulations.
June 2024	Renewal packs including new arrangements issued to insurers
September 2024	Revised PII Regulations come into force.

## APPENDICES

	Appendix Name	For consideration or for reference	No of pages
<b>Appendix A</b>	<b>Online questionnaire</b>	<b>Reference</b>	
<b>Appendix B</b>	<b>List of questions for Call for Evidence meetings</b>	<b>Reference</b>	

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