



# *Important information about your firm's PII cover*

The following information sets out the requirements for your firm's PII cover. Every year, the Practice Assurance principal of your firm is required to confirm the firm's compliance with the PII Regulations as part of the firm's completion of the ICAEW annual return.

## **REQUIRED LIMITS OF INDEMNITY**

PII Regulations 3.2-3.5 specify the minimum limits of indemnity which firms must hold to comply with the regulations. The required cover is two and a half times the gross fee income of the firm for its last accounting year (including non-recurring income) subject to a minimum of £100,000 and a maximum of £1.5 million (any one claim and in the aggregate).

Special limits apply for firms accredited for probate or licensed under ICAEW's DPB (Investment Business) arrangements (see section on page 3 of this document).

Your firm is required to take reasonable steps to meet claims arising from professional business. Although the regulations specify the required minimum limit of indemnity, this may be insufficient for some firms. Your firm should carry out regular risk assessments and consider, in conjunction with your broker, the level of cover that is appropriate for the firm.

## **EXCESS**

The PII Regulations permit a maximum excess of £30,000 per principal in the aggregate as part of the sum insured. Often policies will have an excess that is payable on a 'per claim' basis. However for multiple claims the total excess payable by firms should be capped at the maximum aggregate excess allowed under PII regulation 3.7 by virtue of the minimum approved wording and the difference in conditions clause (see page 3).

## **PARTICIPATING INSURERS**

You must obtain the insurance cover required under the PII Regulations from a 'participating insurer'. ICAEW has not checked the continuing fitness of insurers included in the list of participating insurers ([icaew.com/pii](http://icaew.com/pii)) who are all FCA authorised or authorised in the Republic of Ireland. Most insurers will only deal with brokers, but the list of participating insurers highlights those who will deal directly with firms.

Some firms hold policies issued by managing general agents (MGAs) on behalf of participating insurers. You should ensure the cover is wholly backed by participating insurers. The insurers providing capacity for the insurance should be clearly stated on the policy. If you are unsure you speak with your broker in the first instance.

## MINIMUM APPROVED WORDING AND THE DIFFERENCE IN CONDITIONS CLAUSE

All participating insurers agree to provide cover that matches or exceeds the terms of ICAEW's minimum wording. You should know what your policy says (particularly in relation to notifying claims) and be aware of any exclusions that may be in the policy, as your insurer may be using a policy wording that differs from the minimum wording. A copy of the changes that were made to the minimum wording (effective 1 October 2018) is available at [icaew.com/pii](http://icaew.com/pii).

If participating insurers use wording which departs from the minimum approved wording, they must insert into their policies a difference in conditions (DIC) clause. The DIC clause is an additional protection, which states that the policy shall be no less favourable and provide no less protection to the insured than the minimum approved wording.

## CONTINUOUS POLICIES

Some insurers issue policies on a continuous or rolling basis. If your firm has one of these policies you must ensure the limit of indemnity and any policy excess remain compliant with the PII Regulations as the firm's circumstances change. Variations in the firm's gross fee income across accounting years, for example, will affect the required minimum limit of indemnity.

## COMPOUND FIRMS

If you hold a joint policy with other firms, please provide details of the entities in the compound firm on your firm's annual return.

## MIXED PRACTICES

If you are a mixed practice (eg, some of your principals are ICAS, CAI or ACCA members) and your PII is monitored by that professional body, you must confirm this to us on the annual return.

## CONNECTED ENTITIES

If you are a principal of another entity that provides accountancy services, please remember the other entity also needs PII. This can be overlooked and you should check that all your activities are covered by PII. This is usually done by including all the connected entities on a single policy.

## RUN-OFF COVER

You are required to use your best endeavours to ensure you are covered by arrangements which comply with the PII Regulations for at least 24 months after you cease to practise. If a firm ceases, run-off cover must be in place for at least two years, and ICAEW recommends that run-off cover be maintained for six years. It is also recommended that the terms and extent of any cover must be equivalent to any previous insurance. This insurance could be provided by a successor practice or through a bespoke policy and there is guidance on this in the PII Regulations.

## PII FOR PERSONAL APPOINTMENTS

ICAEW's minimum wording provides some cover for personal appointments (eg, as a company director or secretary). However, the cover is only in connection with advice given or work done in the normal course of the firm's business as a chartered accountant. It would not cover other types of work (eg, running the sales department) or actions taken and decisions of the officer in that officer capacity. You should check with your broker or insurer that your insurance is appropriate for your needs.

## PROBATE AND INSURANCE MEDIATION ACTIVITIES

If you are authorised by ICAEW to conduct probate activities, or are licensed under ICAEW's DPB (Investment Business) arrangements and conduct insurance mediation activities, you may need additional cover. If your firm undertakes regulated insurance business under a DPB (Investment Business) licence, then you may need to increase the firm's PII cover. The limits are set out in DPB (Investment Business) Handbook ([icaew.com/dpb](http://icaew.com/dpb), note 3 to Part 2) as an aggregate amount of €1,850,000 and a per claim amount of €1,125,000 or the sterling equivalent. Part 3, schedule 6 of the handbook describes which insurance transactions are regulated. If you provide fee protection insurance to your clients, this may be a regulated activity (see Part 3, schedule 9 of the handbook) and you may need a DPB (Investment Business) licence and enhanced PII.

## PII FOR DESTROYED DOCUMENTS

The minimum wording only provides cover when documents are lost and a claim arises; eg, your firm loses a client's books and the client is fined. It does not cover the cost of reconstructing an audit file that is lost or destroyed in an office fire. If you require this cover, it may be added to your PII policy or it may already be provided by a loss of profits or business interruption policy. If you are in doubt, you should check with your insurer or broker.

## PII AND THE SERVICES REGULATIONS

The Services Regulations (statutory instrument number 2009/2999) require firms that are required to hold PII to disclose the contact details of their insurer and the territorial coverage of the policy to clients and prospective clients. Firms can elect to communicate the information in different ways and there is a helpsheet on the Services Regulations at [icaew.com/practicehelpsheets](http://icaew.com/practicehelpsheets) which provides more information.

A suggested disclosure is as follows:

'In accordance with the disclosure requirements of the Services Regulations 2009, our professional indemnity insurer is [name of insurer], of [contact address]. The territorial coverage is worldwide, excluding professional business carried out from an office in the United States of America or Canada and excludes any action for a claim brought in any court in the United States of America or Canada.'

Note - ICAEW's minimum wording includes an exclusion relating to the USA and Canada but, if you have extended your policy coverage, you can delete this part. If your insurance is in 'layers' and/or you have multiple insurers, you should disclose the details of the insurer of the first layer

and/or the 'lead' insurer. If you are not sure who to name, please discuss this with your broker or insurer.

## QUESTIONS

You will find more information about PII, including the PII Regulations, the list of participating insurers, the minimum approved wording and what to do if you can't obtain insurance at [icaew.com/pii](https://www.icaew.com/pii)

For more information about the annual return please visit [icaew.com/annualreturn](https://www.icaew.com/annualreturn)

If you have any questions about the PII regulations, please call +44 (0)1908 546 365 for advice.