ASSIGNED RISKS POOL PRACTICE REVIEW VISIT

TERMS OF REFERENCE

The main focus of the practice review visit will be on matters raised by the declining insurer and by Marsh Ltd as managers of the assigned risk pool (ARP). The visit is not an all-embracing review of your firm's procedures. Assessment of client files and the firm's administrative procedures will normally be secondary to the issues that have caused your firm to be denied cover from the market.

ICAEW's Professional Indemnity Insurance (PII) Regulations can be accessed at icaew.com/regulations. The role of the ARP is described in section 4 of the regulations.

MATTERS OF REVIEW

The review will include:

a) discussion of the concerns of the declining insurer(s) and noting the observations of the principal responsible for PII and other relevant staff;

b) an examination of relevant documents relating to matters discussed in (a) above and information already held by ICAEW, together with any update on the situation relating to any past or subsequent notifications or claims;

c) an examination of a sample of client assignment and correspondence files, both relating to the situations, or those similar, that led to the declination of cover, and other general client work in order to assess technical standards, professionalism and general competence of practice management. General competence should also be evident from discussions with the principal on the conduct of the practice; and

d) a review of other documents of the firm such as CPD records, cash books, fee notes and commission records.
THE REPORT

After the visit, the reviewer will prepare a draft report that addresses:

a) the existing client base of the firm including:

- the number, type and size of clients;
- the highest single source of fees likely for the current year and, if relevant the highest source of fees in the past; and
- a general explanation of the usual services provided to clients;

b) areas of particular risk including any indication of similar situations to those that led to PII being declined;

c) the apparent reasons why cover is not available including:

- a description of the firm’s explanation of how it conducted and recorded the work;
- amounts involved including fees earned; and
- an indication of whether the client files support the firm’s explanation of how it conducted the work or any concerns;

d) apparent deficiencies identified in the review of general practice conduct, whether technical or administrative;

e) the link (if any) between such deficiencies and the underwriter's reasons; and

f) recommendations for improvement (with an estimate of the timescale necessary) which when implemented should enable the firm, in the view of the reviewer, to increase its ability to secure terms in the general insurance market.

A draft of the report will be sent to your firm for you to check for factual inaccuracies only (as opposed to general comments) before being finalised. We will ask you to confirm that your firm agrees with the draft report or explain any factual inaccuracies. The final report will state the date your firm provided its response to the draft report and will confirm that any factual inaccuracies have been corrected, or else explain why we believe the original facts were accurate at the time of the visit.

The ARP administrator will send the report to the PII Committee. Once the committee has considered the report, we will send your firm a letter which will explain its decisions, together with a copy of the report and the fee note.

Your firm will either need to pay any outstanding amount for the cost of the visit or will receive a refund for any overpayment. We will also send a copy of the report to the panel underwriters. The underwriters may use the report to help form a view of the underwriting risk and set the annual premium.

A follow up visit may be required six months (or later) after the first visit to assess progress in implementing the recommendations of the reviewer.
FEES

In the majority of cases, reviews take two days for the on-site element of the visit and one and a half days for planning the visit and writing the report. For visits to larger firms and/or where there is a more complex claims history, the visit and reporting process may take longer.

The fees are £1,150 per day per reviewer (time for planning/report writing is also charged at that rate). We may also charge you additional expenses for travel and/or accommodation costs.

In accordance with paragraph 2.7 of the contract of entry into the assigned risks pool, the firm will be required to pay in advance the full anticipated cost of the visit. The final fee note for the visit will be sent to the firm. Any difference to the anticipated cost will either be returned by ICAEW or will need to be paid by the firm, in accordance with the terms stated on the invoice.

We will take civil recovery action against firms and the principals of the firm for the non-payment of invoices. Non-payment may result in the exclusion of the firm from the ARP.