

Professional Indemnity Insurance requirements

The Chartered Certified Accountants' Global Practising Regulations (GPRs) set out the eligibility criteria for obtaining ACCA certificates and licences and detail the continuing obligations placed on certificate/licence holders. The professional indemnity insurance requirements are contained in GPR 9 and the corresponding Annexes to the GPRs.

This factsheet has no regulatory status. It is issued for guidance purposes only, and in the event of any conflict between the content of this factsheet and the content of the *ACCA Rulebook*, the latter shall at all times take precedence. Therefore, this factsheet should not be regarded by a member as a substitute for familiarising himself or herself with the appropriate regulations or, where necessary, obtaining specific advice concerning a specific situation.

INTRODUCTION

Professional indemnity insurance (PII) policies provide cover for practitioners against claims for professional negligence. In order to ensure that practitioners have the means to meet any claims of this nature, ACCA requires all holders of practising certificates, insolvency licences, firms' auditing certificates, firms' investment business certificates (Ireland) and firms' legal activities certificates to obtain a minimum level of insurance cover.

LEVELS OF COVER

The level of indemnity required by practitioners holding the above certificates/licences is calculated in relation to their annual fee income. Where a practitioner is in partnership, or has fellow directors in an incorporated firm, or employs full-time or part-time staff, cover must also include fidelity guarantee insurance (FGI).

PII should provide cover in respect of all civil liability incurred in connection with the conduct of a firm's business by the partners (or members and designated members of a limited liability partnership), directors or employees. FGI must include cover against any acts of fraud or dishonesty by any partner, director or employee in respect of money or goods held in trust by a firm. The detailed provisions for professional indemnity insurance are set out in the GPRs. The GPRs are published in the *ACCA Rulebook*.

The limit of indemnity required will be dependent upon the firm's 'total income' for the previous accounting year. The regulations define 'total income' as the aggregate of the firm's professional charges and all other income received by the firm in the course of the firm's business. Commissions that are retained by the business must be included in the income figure. The regulations require that the minimum limit of indemnity on PII in respect of each and every claim must be at least £50,000, and prescribe the following formulae for determining the required level of cover:

Total income of up to £200,000

The limit of indemnity on PII in respect of each and every claim must be the greatest of:

- 2.5 times the total income;
- 25 times the largest fee raised during the previous accounting year; and
- £50,000.

Total income of over £200,000 and up to £700,000

The limit of indemnity on PII in respect of each and every claim must be the greatest of:

- the aggregate of £300,000 and the total income of the firm; and
- 25 times the largest fee raised during the previous accounting year.

Total income of over £700,000

The limit of indemnity on PII in respect of each and every claim must be the greatest of:

- £1 million; and
- 25 times the largest fee raised during the previous accounting year.

The 'largest fee' in all cases does not relate to the largest single invoice but to the highest cumulative amount of fees raised to a particular client during the year.

The annual limit of indemnity to be provided by FGI cover must be at least £50,000 in respect of each and every claim. The maximum permitted uninsured excess for PII and FGI is the lower of £20,000 per principal and 2% of the level of indemnity for each and every claim.

Persons carrying on public practice in a country other than a designated territory (the United Kingdom, the Republic of Ireland, Jersey, Guernsey and Dependencies and the Isle of Man) may comply with the minimum requirements of a recognised national body or regulatory authority in that country in respect of the limit of indemnity on PII and FGI and in respect of uninsured excess. The regulations set the minimum level of PII required to be held by a practitioner. Practitioners should consider the risk profile of their work and their clients and determine whether or not they should carry PII in excess of the minimum required under the regulations.

RESERVED LEGAL ACTIVITIES

Firms holding a legal activity certificate that authorises the firm to carry on the reserved legal activity of probate are required to have a **minimum level of indemnity of £100,000 in respect of each and every claim**. However, firms should consider the risk profile of their work and their clients and ensure that the level of cover for PII and FGI provides the appropriate level of cover for legal activities.

MODIFICATION

If a person is unable to obtain PII or FGI complying with the GPRs and relevant Annexes or can only obtain such cover at an expense which is unreasonable, the person should notify ACCA in writing providing full details as to why they are unable to comply. The matter will be considered by the Admissions and Licensing Committee in its absolute discretion.

DOCUMENTATION

Practitioners are required to provide details of their PII and FGI policies when applying for, or renewing, certificates/licences. Practitioners must keep records of insurance claims made under the policies, and these records, and the policy itself, may be inspected by ACCA.

CESSATION OF PRACTICE

Those ceasing to practise must make arrangements for the continued existence of adequate PII and FGI cover for a period of six years from the date of cessation. This is due to the fact that claims can be made at a later date for work undertaken whilst a member was in practice.

ACCEPTABLE INSURANCE COMPANIES

Responsibility for obtaining adequate cover lies with an individual practitioner and may be effected with any reputable insurance company or underwriter.

In the UK, a scheme for members has been negotiated by ACCA with **Lockton**, 6th Floor, Trinity Quay, 2 Avon Street, Bristol, BS2 0PB. Tel: +44 (0)117 906 5000.

Further details about the ACCA Member Scheme can be found at www.locktonaccountants.co.uk
<https://www.locktonaccountants.co.uk/affiliate/acc-a-members-scheme.html>

In the Republic of Ireland, **Willis Towers Watson** runs a scheme for ACCA members. Those wishing to make use of this facility should contact the broker at Willis Towers Watson House, Elm Park, Merrion Road, Dublin 4, DO4 P231.

A list of professional indemnity brokers is provided in **Appendix 1**.

FURTHER INFORMATION

Further information is available from the ACCA website at www.accaglobal.com, or by telephoning the advisory services helpline in your region.

APPENDIX 1 PROFESSIONAL INDEMNITY INSURANCE BROKERS

Lockton is ACCA's recommended broker for professional indemnity insurance. The ACCA Member Scheme offers wide policy coverage and enhanced benefits. Members and firms will be insured with specialists in the field who have a thorough understanding of ACCA members' requirements for cover.

Other brokers are known to offer professional indemnity insurance policies. However, please note that the list of possible alternatives does not indicate any endorsement of these brokers on the part of ACCA nor any guarantee that the policies offered will meet ACCA's regulatory requirements. This list is intended purely for guidance purposes and it does not purport to be exhaustive. ACCA cannot comment on the services of any broker or company included in this list.

UK

Lockton

6th Floor, Trinity Quay, 2 Avon Street, Bristol, BS2 0PB
tel: +44 (0)117 906 5000
email: ACCAaccountants@uk.lockton.com
ACCA relationship manager:
catherine.davis@uk.lockton.com
www.lockton.com/professional-indemnity

Republic of Ireland

Glennon

Charlemont House, Charlemont Place, Dublin 2
tel: +353 (0)1 707 5800
email: info@glennons.ie
www.glennons.ie/group-schemes/acca-professional-indemnity-insurance/

Willis Insurance and Risk

Newsletter Building, 55-59 Donegall Street, Belfast, BT1 2FH
tel: +44 (0)28 9032 9042
email: belfast@willisinsurance.co.uk
www.willisinsurance.co.uk/services/insurance/professional-indemnity-northern-ireland

Willis Risk Services (Ireland) Ltd

The Quartz Building, Elm Park, Merrion Road, Dublin 4
tel: +353 (0)1 661 6211
email: michelle.bowland@willis.ie
www.willis.com/ireland

Willis Towers Watson

Willis Towers Watson House, Elm Park, Merrion Road, Dublin 4, DO4 P231
tel: +353 (0)1 661 6211
www.willistowerswatson.com/ireland

Possible alternatives

Aston Lark

Ibex House, 42-47 Minories, London, EC3N 1DY
tel: 0207 543 2800
www.astonlark.com

AON Risk Services Ltd

Unit 2, Gibraltar House, Gibraltar Walk, 4 High Street, Wickford, Essex, SS12 9AZ
tel: +44 (0)1245 706 679
email: emma.southwood@aon.co.uk
www.aon.com.uk/professionals

Aviva PLC

St. Helen's, 1 Undershaft, London, EC3P 3DQ
tel: +44 (0)800 302 9507
www.aviva.co.uk/business/insurance/professional-indemnity-insurance

Axa Business Insurance

5th Floor, St Philips Point, Temple Row, Birmingham, B2 5AF
tel: +44 (0)121 644 5600
www.axa.co.uk/businessinsurance/professional-indemnity

Brunel Professions

1 Temple Quay, Temple Back East, Bristol, BS1 6DZ
tel: +44 (0)117 450 4199
email: contactus@brunelpi.co.uk
www.brunelpi.co.uk

Gallagher

Walbrook Building 25 Walbrook, London, EC4N 8AF
tel: +44 (0)800 612 3748
www.ajg.com

Howden

One Creechurch Place, London, EC3A 5AF
tel: +44 (0)20 7623 3806
www.howdengroup.com

Marsh Commercial

Castlemead, Lower Castle Street, Bristol, BS1 3AG
tel: 0345 894 4684
www.marshcommercial.co.uk/for-business/professions/partner-solutions/acca-members/

Miller Insurance Services LLP

70 Mark Lane, London, EC3R 7NQ
tel: +44 20 7488 2345
email: info@miller-insurance.com
www.miller-insurance.com

NTEGRITY Insurance Solutions Ltd

The Stone Barn, Hambrook Business Park, The Stream, Hambrook, Bristol, BS16 1RQ
tel: +44 (0)1454 800800
email: ian.richards@ntegrity.co.uk
www.ntegrity.co.uk

Sennet Insurance Services Ltd

1 Oaten Hill Place, Canterbury, CT1 3HJ
tel: +44 (0)1227 781200
email: info@sennet-insurance.co.uk
www.sennet-insurance.co.uk

Specialist Risk Group

6th Floor, One America Square, London, EC3N 2LB
tel: +44 (0)20 7977 4800
email: clennon@specialistrisk.com
www.specialistrisk.com

Willis Towers Watson

51 Lime Street, London, EC3M 7DQ
tel: +44 (0)203 124 6000
www.willistowerswatson.com