

# FAQs for Professional Liabilities Insurance

(Including Professional Indemnity Insurance)



## Q. What is Professional Indemnity Insurance (PII)?

**A.** Professional Indemnity (PI) Insurance provides cover for the legal costs and expenses in defending a claim, as well as compensation payable to your client if you are found to be responsible for providing inadequate advice or services that cause your client a financial loss.

## Q. Is Professional Indemnity Insurance compulsory for ACCA accountants?

**A.** Yes, Professional Indemnity Insurance is mandatory for any ACCA accountants who engage in public practice. Firms with employees also have to hold Employers' Liability insurance.

## Q. What is Fidelity Guarantee Insurance (FGI)?

**A.** Fidelity guarantee insurance (FGI) provides cover for your business against theft of the firm's own money, securities or property by an employee, partner, contractor, or volunteer. FGI can also be known as first-party fraud, theft or employee dishonesty cover.

FGI cover can sometimes be confused with third-party fraud and dishonesty cover however third-party fraud and dishonesty refers to theft of the client's money rather than the firm's own money, and this tends to be covered within the main insuring clause (civil liability) of a professional indemnity policy.

## Q. Is Fidelity Guarantee Insurance compulsory for ACCA accountants?

**A.** Yes, the ACCA Regulations require that member firms in public practice with more than one staff member have a minimum of £100,000 cover in place for any one claim, to help protect the business and enable it to continue trading following a fraudulent act. Please note you must also ensure that your Fidelity guarantee insurance extends to cover your sub-contractors.

## Q. What is the minimum level of Professional Indemnity cover I am required to have in place?

**A.** The PII regulations have changed from 1st September 2023 and there are now two income bands, instead of three. Total Income above £600,000 and Total Income below £600,000.

The previous lower and middle-income bands are now combined, and the total income limit is reduced from £700,000 to £600,000.

The minimum PII limit of indemnity required is £100,000.

The PII limits for each income band are now determined solely in relation to the firm's total income, as follows:

Total income	PII limit
< £600,000	Greater of: (i) two and a half times the firm's relevant total income; and (ii) £100,000
≥ £600,000	At least £1.5 million

The 'twenty-five times the largest fee' multiplier is removed from the calculation of the minimum limits for PII.

## Q. Is the Cover compliant with the ACCA / ICAEW Requirements?

**A.** Yes, the Lockton/Arch Scheme quotation is compliant with both professional bodies.

## Q. I am no longer an ACCA member, am I still eligible for a scheme quotation?

**A.** Yes, even if you are no longer a Member with the ACCA, so long as you are ACCA qualified you are still eligible.

## Q. Do I require Professional Indemnity cover once I have stopped practising?

**A.** Yes, the ACCA stipulate that you are required to maintain cover for a minimum of 6 years after the date of cessation.

### **Q. What are the benefits of the Lockton / Arch Quotation over other policies?**

**A.** The ACCA Policy Wording is market leading, providing the following coverage:

- Full Civil Liability
- Awards by Ombudsmen or Regulatory Authority up to the full limit of indemnity
- Fidelity Guarantee up to the full limit of indemnity
- Loss of Documents cover up to £250,000
- Disciplinary Hearing defence costs up to £250,000
- Cover for Outside Business and Other Work
- Reputational Indemnity up to £50,000
- Compensation for Court Attendance – Partners/Directors/ Members £500 per day, Employers £250 per day
- Cover for Mitigation of Losses

The Policy also includes ARAG Legal Expenses Insurance - £250,000 any one claim, capped at £1,000,000 in the annual aggregate for Employment Compensation Awards.

### **Q. What does Any One Claim mean in respect of the Limit of indemnity?**

**A.** Any One Claim, means that the limit is payable in respect of each individual claim intimated during the policy year. If the limit of indemnity is in the aggregate, it is the maximum total amount payable for any claim or group of claims intimated in a policy year.

### **Q. What is a retroactive date?**

**A.** The retroactive date cover specifies the date from which you are covered (typically the date you first started practicing). Any claims arising from work that took place prior to the specified date will be excluded from cover.

### **Q. What is a policy excess?**

**A.** Sometimes referred to as an uninsured excess, means the amount of any claim which a Member or his or her firm may be required to pay before any indemnity is granted under the terms of a policy of insurance. The minimum level of excess offered by an insurer is usually determined by your rateable fee income. You can of course carry a higher excess and insurers may offer a discount should you select an excess higher than the minimum however in line with the ACCA regulations the excess must be no more than £20,000 per principal in respect of each and every claim.

### **Q. What does Aggregate x3 mean in respect of the policy excess?**

**A.** An Aggregate excess caps the total amount of excess payable at x3 for the period of insurance. For example, if the excess was £1,000 capped x3 this would give a total figure of £3,000 for the policy period. As the insured you could therefore have 5 claims of £100 and would have to pay the excess of £100 on each claim. This would erode £500 from the aggregate excess of £3000. Still leaving £2500.

### **Q. Would my policy respond if I have a claim for work I undertook years ago before I moved my PI Insurance to Lockton?**

**A.** Professional Indemnity Insurance is underwritten on a claim made basis. It is therefore the policy in force when the claim is intimated to insurers which would respond regardless of when the work was undertaken. The policy must however be free of retroactive date and cover is always subject to other policy terms and conditions.

### **Q. What is meant by 'a reasonable search' on the Declaration page?**

**A.** It is important that you consider who may hold information that may be relevant to insurers and should be included in the reasonable search of information. Though not an exhaustive list of those who must be engaged it may include other partners, or heads of department responsible for or privy to the way in which the business is run. A 'reasonable search' could also mean completing a review of the clients you hold and the nature of work you complete etc. If in doubt, ask all about everything.

### **Q. What does Public Liability Insurance Cover?**

**A.** Public Liability Insurance covers the cost of legal action and compensation claims made against your business if a third party is injured or their property suffers damage whilst at your business premises or when you are working in their home, office or business property.

### **Q. I only employ family members/ It's only me and the other partners/ directors in the firm. Do I still require Employers Liability Insurance?**

**A.** If you have two or more partners/directors or any employees regardless of if they are a relative, you may still require Employers Liability cover.

### **Q. Is there a minimum level of cover for Public and Employers' Liability insurance?**

**A.** No, the ACCA does not specify a minimum level of cover for either of these insurances. However, you are required by legislation to have at least £5 million Employers' Liability insurance if you have employees (even just the one). Most insurers will offer £10 million Limit of Indemnity as standard. Most insurers offer a choice of either £1 million, £2 million or £5 million for Public Liability insurance. If you are unsure how much you need, we can help with this.

**If you have any additional questions please contact us on**

**T:** 0117 906 5057

**E:** insure@uk.lockton.com