

The Chartered Certified Accountants' Global Practising Regulations (GPRs) set out the eligibility criteria for obtaining ACCA certificates and licences. These detail the continuing obligations placed on certificate/licence holders of which professional indemnity insurance is one.

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 or loss through fraud or dishonesty. In order to ensure that all practitioners have the means to meet any claims of this nature, ACCA requires all holders of practising certificates, insolvency licences, firms' auditing certificates and firms' investment business certificates (Ireland) 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, and 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 by each practitioner will be dependent upon his or her 'total income' for the previous accounting year. The regulations define 'total income' as the aggregate of the person's professional charges and all other income received by that person in the course of his or her 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 greater 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 greater 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 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 the 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.

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.

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 PII and FGI for a period of six years. 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, North Quay, Temple Back, Bristol BS1 6FL. Tel: +44 (0)117 906 5000. Proposal forms can be found on Lockton's website (www.locktonprofessions.com).

In the Republic of Ireland, Coyle Hamilton Willis runs a scheme for ACCA members. Those wishing to make use of this facility should contact the broker at Grand Mill Quay, Barrow Street, Dublin 4. Tel: +353 (0)1 661 6211.

The following brokers are known to offer professional indemnity insurance policies. However, please note that the list does not indicate any endorsement on the part of ACCA nor any guarantee that the policies offered will meet ACCA's regulatory requirements. The list does not purport to be exhaustive.

PROFESSIONAL INDEMNITY INSURANCE BROKERS

UK

Lockton
North Quay, Temple Back, Bristol BS1 6FL
tel: +44 (0)117 906 5000
e-mail: catherine.davis@uk.lockton.com
www.locktonprofessions.com

Republic of Ireland

Coyle Hamilton Willis
Grand Mill Quay, Barrow Street, Dublin 4
tel: +353 (0)1 661 6211
e-mail: infochw@coylehamiltonwillis.ie
www.coylehamiltonwillis.ie

Possible alternatives

AON Risk Services Ltd
Gibraltar House, Gibraltar Walk, High Street, Wickford
Essex SS12 9AX
tel: +44 (0)1268 764141 or +44 (0)1268 578325
e-mail: janette.redding@aon.co.uk
www.aon.com/uk

Bell and Co
Marlborough House, Charnwood Street, Derby DE1 2GT
tel: +44 (0)1332 372111
e-mail: info@bellbrokers.co.uk
www.bellbrokers.co.uk

HLI (UK) Ltd
Wessex House, 4 Greystoke Business Centre, Portishead
Bristol BS20 6PY
tel: +44 (0)870 770 5288 or +44 (0)1275 843000
e-mail: info@hlib.co.uk
www.hlib.co.uk

Heath Lambert Insurance
133 Houndsditch, London EC3A 7AH
tel: +44 (0)20 7560 3000
e-mail: information@heathlambert.com
www.heathlambert.com

Marsh Ltd
Orchard Brae House, 30 Queensferry Road, Edinburgh EH4 2HS
tel: +44 (0)131 311 4275
e-mail: veronica.koyle@marsh.co.uk
www.marsh.co.uk

NTEGRITY Insurance Solutions Ltd
Argentum, 510 Bristol Business Park, Coldharbour Lane
Bristol BS16 1EJ
tel: +44 (0)117 906 3547
e-mail: ian.richards@ntegrity.co.uk
www.ntegrity.co.uk

SBJ Professional
Castlemead, Lower Castle Street, Bristol BS1 3AG
tel: +44 (0)117 929 3344
e-mail: enquiry@sbj-pi.com
www.sbj-pi.com

Sennet Professional Indemnity Ltd
FREEPOST SEA4263, Canterbury CT1 2BR
tel: +44 (0)1227 781200
e-mail: info@sennet-insurance.co.uk
www.sennet-insurance.co.uk

Windsor Professional Indemnity Ltd
America House, 2 America Square, London EC3N 2LU
tel: +44 (0)20 7133 1200
e-mail: info.windsor@windsor.co.uk
www.windsor.co.uk

This list is intended purely for guidance purposes. ACCA cannot comment on the services of any broker or company.

FURTHER INFORMATION

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