

Policy document

aat

# Professional Indemnity Insurance

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# Professional Indemnity Insurance

## Purpose

1. This policy sets out the requirement for those holding a *licence* to hold *professional indemnity insurance*.

## Policy statement

2. AAT requires that all *licence* holders have *professional indemnity insurance* covering the *self-employed accountancy services* they provide. It is in the public interest that AAT ensures *licence* holders have adequate *professional indemnity insurance* to protect clients in the event of professional negligence. This policy sets out the level of *professional indemnity insurance licence* holders are required to have.

## Terminology

3. All terms in italics, save titles of publications, are defined in the *AAT Glossary* which supports the entire policy framework. References to “the *firm*” mean either the individual *licence* holder (if a sole trader) or a partnership, limited company or limited liability company through which the *licence* holder is trading. All references to ‘gross fee income’ within this policy refer to the accounting year immediately preceding the commencement of a *professional indemnity insurance* policy.

## Policy detail

4. All *licence* holders must hold *professional indemnity insurance* which:
  - a) is on an ‘any one claim’ basis
  - b) includes full civil liability cover
  - c) is fully retroactive.
5. The minimum level of cover required is dependent on the *firm’s* gross fee income and:
  - a) for sole traders must be the greater of:
    - i. 2.5 times the *firm’s* gross fee income; or
    - ii. £50,000
  - b) for partnerships must be the greater of:
    - i. 2.5 times the *firm’s* gross fee income; or
    - ii. £100,000
  - c) for limited companies must be the greater of:
    - i. 2.5 times the *firm’s* gross fee income; or
    - ii. £100,000

6. If the gross fee income of any *firm* is greater than £400,000 the maximum level of cover required by this policy is £1,000,000.
7. The self-insured excess must be set at an amount which the *licence* holder is able to meet at all times.
8. Individuals licensed to carry out Limited Assurance Engagements must ensure that their *professional indemnity insurance* covers Limited Assurance Engagements and potential third party claims.

### **Associated regulations and policies**

- *Licensing Regulations*
- *Practice Assurance Standards*

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