

# Professional Indemnity Insurance (PII) Policy

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## Associated regulations and policies

<i>Code of Professional Ethics</i>
<i>Disciplinary Regulations</i>
<i>Licensing Regulations</i>
<i>Client Care policy</i>
<i>Investigation of Complaints policy</i>
<i>Licence Exemption policy</i>
<i>Practice Assurance Standards</i>

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## 1. Introduction

- 1.1 *Professional indemnity insurance (PII)* is liability insurance that covers firms when a third-party claims to have suffered a loss, usually due to professional negligence. PII is a compulsory requirement of AAT's *Licensing Regulations*.

## 2. Scope and applicability

- 2.1 All *members* who are engaged in *public practice* and hold an AAT *licence* must meet the requirements of this PII policy regardless of the amount of *firm* income. A *member* must ensure they obtain PII cover for each practising entity they are a *Principal*, ensuring the coverage meets the requirements of this policy.
- 2.2 A failure to follow the requirements of the policy may result in investigation of *misconduct* and action being taken as considered appropriate. This may include formal action in line with [AAT's Disciplinary Regulations](#).

## 3. Purpose and objectives

- 3.1 It is in the public interest that AAT ensures all *licence* holders have adequate PII to protect clients in the event of professional negligence.
- 3.2 This policy sets out the required level of coverage and is applicable to each *firm* recorded under the *licence*.

## 4. Terms and definitions

- 4.1 The words and phrases set out in the following table only have the meanings set opposite them for the purpose of our regulations and policies as published by AAT from time to time in force.

Words	Meaning
<i>client care</i>	The arrangements required of those holding a <i>licence</i> for ensuring proper standards of <i>client care</i> and service as detailed in AAT's <i>Client Care Policy</i> .
<i>gross fee income</i>	All references to 'gross fee income' within this policy refer to the accounting year immediately preceding the commencement of a <i>professional indemnity insurance</i> policy. It must also include the income in respect of work which the <i>firm</i> has subcontracted to others unless the work is clearly shown as a disbursement in the invoice issued for

	the relevant work and the client knows that the firm is not taking professional responsibility for the work. If the <i>firm</i> has not yet completed an accounting year, its total income shall be an estimate of its total income for the coming year.
<i>firm</i>	A sole practitioner who is a <i>member</i> , or a partnership, or a body corporate or a limited liability partnership comprised in whole or in part of members, the business of whom or of which includes the provision of <i>accountancy services</i> .
<i>licence</i>	A practising <i>licence</i> granted to members to allow them to provide accountancy services and/or bookkeeping services to the public under the <i>Licensing Regulations</i> .
<i>member</i>	A person admitted to the membership of AAT in accordance with the provisions of the <i>AAT Regulations</i> (where the context so permits), this term includes associate members, full members, and fellow members, whether past or present.
<i>misconduct</i>	A <i>member</i> committing any act or omission that falls short of the standards reasonably expected of them, including but not limited to those matters listed in the <i>Code of Professional Ethics</i> , which brings, or is likely to bring, discredit to the <i>member</i> , the accountancy profession, or AAT.
<i>practice assurance monitoring</i>	AAT's quality assurance arrangements to assess if <i>members</i> holding a <i>licence</i> are meeting the expected requirements of the practice assurance standards, Money Laundering Regulations, and the <i>Code of Professional Ethics</i> .
<i>Principal</i>	A <i>member</i> who is a sole practitioner or who is a partner in a <i>firm</i> which is a partnership or who is a director of a <i>firm</i> which is a body corporate or who is a member in a limited liability partnership.
<i>professional indemnity insurance (PII)</i>	A policy of liability insurance against claims of professional negligence which meets the minimum standards required by AAT as articulated in the <i>Professional Indemnity Insurance Policy</i> .
<i>public practice</i>	A <i>member</i> is engaged in <i>public practice</i> when they provide, or are holding themselves out to provide accountancy services, including <i>bookkeeping services</i> , to the public for remuneration, whether in the capacity of sole practitioner, a partner in a partnership, a member in a limited liability partnership, or a director of a body corporate.

## 5. Policy detail

### Terms of cover

5.1 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.

5.2 The minimum level of cover required is dependent on the *firm's gross fee income* and:

- a) for sole practitioners 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

5.3 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.

5.4 A *member* licensed to carry out Limited Assurance Engagements must ensure that their *professional indemnity insurance* covers Limited Assurance Engagements and potential third-party claims.

5.5 The self-insured excess must be set at an amount which the *licence* holder is able to meet at all times.

5.6 A *member* must hold valid *professional indemnity insurance* that satisfies the requirements of this *PII policy* for all the period during which a practising *licence* is held.

5.7 A *member* ceasing to be engaged in *public practice*, either as a sole practitioner or a *Principal* in a *firm* that ceases to exist, must make arrangements to maintain the existence of adequate PII cover for a recommended period of not less than six years from the date of cessation, but the member should check with their insurance provider for further advice. This is due to the fact that claims can still be made at a later date for work undertaken during the period of engagement with the client.

5.8 A member who ceases to be a *Principal* in a *firm* that continues to trade should ensure that the *firm* has adequate arrangements for *professional indemnity insurance* cover for a period of not less than six years after the *member* ceased to be a *Principal* of the *firm*. If the *member* has any doubt about the adequacy of such arrangements, they shall make their own arrangements for run-off after they cease to be a *Principal* of the *firm*.

### **Monitoring and compliance**

5.9 A *member* should review their level of PII at least annually, considering any changes to the firm's income, clients, resources, and the services that the *firm* may provide along with any other risk indicators, to ensure that the level of cover remains adequate with the requirements set out in paragraph 5.1 and 5.2.

5.10 A *member* must submit an annual licence renewal each year, in the format and by the means prescribed by AAT, confirming they have PII in place in accordance with the provisions of this policy.

5.11 A *member* must, on request, make available to AAT (and our representatives) the firm's PII certificate and insurance policy, and records of any insurance claims made under the policy. Any failure by a *member* to cooperate with AAT's *practice assurance monitoring* arrangements in respect of *professional indemnity insurance* may lead to action in accordance with the *Disciplinary Regulations* and/or *Licensing Regulations*.

**AAT**

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