

Policy document

aat

# Professional Indemnity Insurance

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# Professional Indemnity Insurance

## Purpose

1. This policy sets out the requirement for licensed members holding *professional indemnity insurance*.

## Policy statement

2. AAT requires that all *licence* holders have *professional indemnity insurance* covering the *self-employed accountancy and/or bookkeeping 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* required and is applicable to each firm recorded under the *licence*.

## 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.
9. All licensed members are required to provide details of their PII policy when applying for, renewing or reinstating their licence. Licensed members must also keep records of any insurance claims made under the policy and be prepared to provide further information to AAT or representatives of AAT on request at any time.
10. All licensed members ceasing to practise must make arrangements to maintain the existence of adequate PII cover for a recommended period of 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.

### **Associated regulations and policies**

- *Licensing Regulations*
- *Practice Assurance Standards*

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