

# Insurances

Members and affiliates in business are exposed to many risks and an unexpected claim or loss can cause financial hardship and potentially destroy years of hard work and investment. However, Members and affiliates can limit any potential damage that claims could cause by considering the range of insurance covers that are available to protect their business from the risks it will face.

As CIAT does not dictate the manner in which the Member or affiliate arranges their insurances, the Member or affiliate is free to arrange their insurance covers as they see fit.

This can range from online products direct with an insurer or policies arranged through an Insurance Broker.

However, given the complexities involved in insuring a business, the general recommendation would be to take advice from an Insurance Broker who will have the necessary expertise to advise the Member or affiliate as well as being regulated by the Financial Conduct Authority (FCA).

The following Information and Guidance Notes have been prepared by CIAT Insurance Services, which is a trading style of McParland Finn Ltd Insurance Brokers who are regulated by the (FCA).

## Professional Indemnity Insurance (PII)

The *Code of Conduct* Clause A4) and B4) makes it compulsory for Members and affiliates in private professional practice to have and maintain professional indemnity insurance cover whilst working and for an adequate period in retirement or after leaving private professional practice.

Whilst PII is the only mandatory insurance cover under the *Code of Conduct*; other insurance covers may be compulsory by law, and to ensure that they are adequately protected. Members and affiliates should seriously consider the range of other covers that are available.

### Brief explanation of Professional Indemnity Insurance (PII) cover

PII is a cover which protects you and your practice from the financial and potential reputational costs and consequences arising out of any alleged breach of your professional duty.

The cover should be arranged under a 'civil liability' wording, which means that, subject to policy terms and conditions, the policy will respond to any claims made against you or your practice, rather than just limiting cover to negligence only claims.

One key aspect to bear in mind is that the cover is provided on a 'claims made basis' which means the policy in force at the time the claim is made (rather than when the work was undertaken) deals with the claim.

PII is normally purchased on an annual basis. However, unlike other types of insurance, once the policy period has expired, all cover for work undertaken by your practice will cease. In effect, each year you are purchasing cover back to the inception of your practice rather than just that year's work.

In the event that the policy you purchase is subject to a retroactive date, which will be highlighted on the policy schedule, you must ensure this is the same date as the inception of your practice, so as to avoid any gaps in your protection.

When arranging PII cover, the following eight points should be considered:

**i**  
To protect your position, ask the broker if the insurance cover is being provided by an insurer who has at least an 'A' financial rating or similar.

**ii**  
Is the policy wording written on a full civil liability basis which would include cover for claims made against the Practice for breaches of the General Data Protection Regulation (GDPR).

**iii**  
Is the limit of indemnity adequate? There is no definition to describe adequate in this situation, but your broker will be able to provide you with guidance when taking into consideration all of your business profiles and parameters. Insurance brokers are not qualified to provide you with a definitive answer as to what is adequate, but should be able to assist you in the decision making process.

a. What basis is the cover being provided on? It is likely to be more beneficial to the Member or affiliate to obtain cover for 'each and every claim' rather than the more restricted limit of 'in the annual aggregate' with any defence costs being paid in addition.

**iv**  
To limit your financial exposure, does the policy excess exclude defence costs?

v

Does the policy provide some flexibility and allow it to be transferred into a 'run off' policy which protects you in retirement or when you leave private professional practice. Run-off may be provided as an annually renewing policy or a single six year policy and your broker should be able to discuss your requirements in greater detail. As your liabilities may run beyond this period, as some contracts may require you to maintain cover for twelve years, it is also worth asking the broker if the policy can be extended beyond any initial period of run-off cover.

vi

Does the insurer provide a legal business advice helpline, which should preferably be provided free of charge?

vii

Will you receive the advice and assistance of a contract and collateral warranty vetting service, which should also be provided free of charge?

### **Other covers to be considered**

The guidance notes which follow are, in brief, purely to alert you to the range of additional covers you may wish to consider purchasing. The available covers within the market place are numerous and varied. Priority has been given to the covers which are either a legal requirement or where lack of cover could lead to consequences which may adversely affect your balance sheet.

The intention of insurance is to: protect your assets, earnings and liabilities.

### **Asset and Earnings Protection**

For most practices an office combined policy would be the most cost effective method of covering loss or damage to your assets; i.e. general contents, IT kit, professional kit, tenant's improvements etc. It would also provide cover for the interruption to your business as a result of loss or damage to those assets.

### **Liabilities Protection**

Under the PII you have cover against your professional liabilities. In addition, you may need employers' liability cover which, with limited exceptions is a legal requirement as well as public liability (injury, illness, loss or damage to third parties or third party property). Both employers and public liability can be adequately provided for under the office combined policy.

In addition, you may want to consider cover against corporate claims made against you as a consequence of how you run your business. These claims can evolve from a multitude of circumstances, including but not limited to:

- breach of company law
- breach of accountancy or taxation legislation
- breach of health and safety legislation
- breach of General Data Protection Regulation
- defending claims made against you by competitors, alleging malpractice.

While this is an abbreviated list, the cover provided by a directors' and officers' policy should provide adequate cover for any potential claims arising out of the running of the business.

### **Miscellaneous protection**

There are also a number of miscellaneous covers which you may wish to consider, those being more than just simply 'nice to have':

#### **Crime**

i.e. loss of your own cash/bank balances etc. as a result of theft or fraud (including by electronic means) involving your own staff, other parties or a combination of the two.

#### **Cyber**

A package of covers including incident response, cyber crime, system damage and business interruption, network security and privacy liability.

#### **Travel**

Package policies are available if you travel abroad in connection with your practice.

#### **Legal expenses**

This would normally be part of an office policy with either no charge or at negligible cost.

#### **Motor insurance**

It is now possible to purchase insurance for private cars used for business purposes and for small business vehicles on line via the plethora of comparison prices at very competitive prices. If this is not possible your broker would be able to assist.

An insurance broker will be able to properly advise you on the purchase of a portfolio of covers to meet your demands and needs.

### **END**

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