

# Professional Indemnity Insurance (PII) Policy

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## Document properties

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## Change control

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Version No.	Page	Changes made	Date
V2.0	4	Revision to paragraph 3 to provide definition of 'gross fee income' for the purpose of the policy.	01/07/2022
V2.0	5	Inclusion of paragraph 10 to set out requirement to renew level of PII required at least annually, considering any changes to ensure that the level of cover remains adequate.	01/07/2022
V2.0	5	Inclusion of monitoring and compliance statements at paragraph 12-14.	01/07/2022

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## Associated regulations and policies

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*Code of Professional Ethics*

*AAT Regulations*

*Disciplinary Regulations*

*Licensing Regulations*

*Licensing Policy*

*CPD Policy*

*Continuity of Practice Policy*

*Client Care Policy*

*Clients' Money Policy*

*Health and Disability Policy*

*Money Laundering Regulations*

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## Introduction

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.

## Scope and applicability

1. AAT requires that all *licence* holders have *professional indemnity insurance* covering the *self-employed accountancy and/or bookkeeping services* they provide to the public. This policy applies in relation to all AAT licensed members.

## Purpose and objectives

2. 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 required level of *professional indemnity insurance* and is applicable to each firm recorded under the *licence*.

## Terms and definitions

3. The website is the definitive guide to all policies currently in force. All terms in italics, save titles of publications, are interpreted in the *AAT Glossary* which supports the entire policy framework.

All references to 'gross fee income' within this policy refer to the accounting year immediately preceding the commencement of a *professional indemnity insurance* policy. It must also include the income in respect of work which the firm 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 firm has not yet completed an accounting year, its total income shall be an estimate of its total income for the coming year.

## Policy detail

### Terms of cover

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. Licensed members must 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.

### **Period of cover**

- 10. A licensed 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.
- 11. 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.

### **Monitoring and compliance**

- 12. A licensed member must submit a licence annual declaration 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.
- 13. Any licensed member providing *self-employed accountancy or bookkeeping services* to clients through multiple firms must ensure they obtain PII cover for each entity that meets the requirements of this policy.
- 14. A licensed member must, on request, make available to AAT (and our representatives) the firm's PII certificate and insurance policy. Any failure by a member to cooperate with AAT's monitoring arrangements in respect of professional indemnity may lead to action in accordance with the *Disciplinary Regulations* and/or *Licensing Regulations*.

**The Association of Accounting Technicians**

30 Churchill Place

London

E14 5RE

t: +44 (0)20 3735 2468

f: +44 (0)20 7397 3009

e: [aat@aat.org.uk](mailto:aat@aat.org.uk)

[aat.org.uk](http://aat.org.uk)