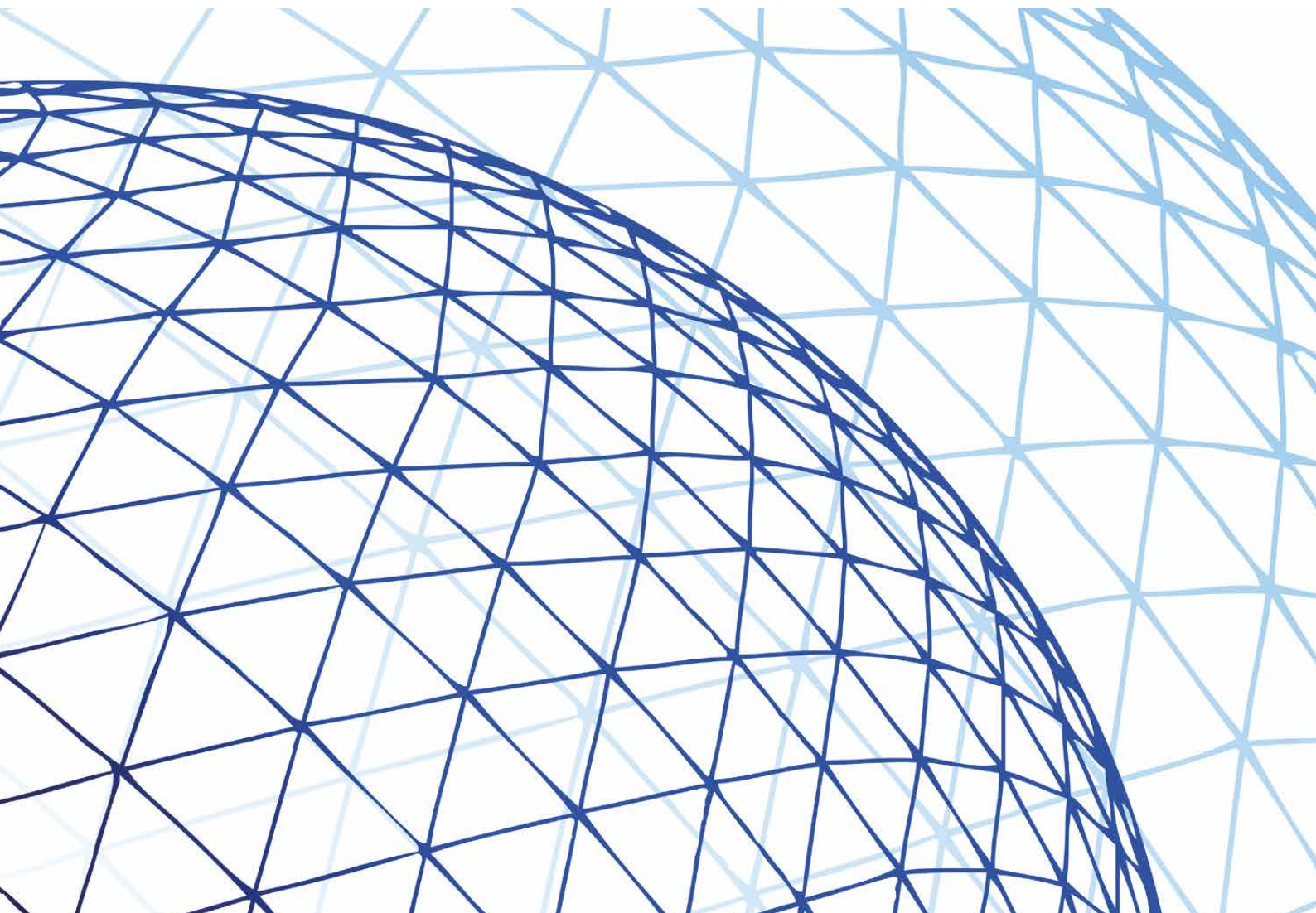




## Professional Indemnity Insurance

Version 3 with effect from  
01 November 2015



Firms are likely to be able to demonstrate that they meet the requirements of Firms' Conduct Rule 9 if they take out Professional Indemnity Insurance (PII) cover in accordance with the standard in this policy.

### Rule 9

A Firm shall ensure that all previous and current professional work is covered by adequate and appropriate professional indemnity insurance cover which meets standards approved by the Regulatory Board.

### Aim

The purposes of having professional indemnity insurance are to ensure that:

- if the firm faces a claim, it is protected from financial loss that it cannot meet from its own resources
- to protect the insured (member or firm) against the consequences of its liability to pay damages to third parties in respect of breaches of professional duty that it commits in the course of its professional activities; and
- the firm's clients do not suffer financial loss which the firm cannot meet.

Firms will adopt different ways of meeting these aims according to their size, the risks attached to the type of work they carry out and their resources. If they decide to deviate from the standard set out in this policy sheet, they should bear in mind the risks attached in doing so.

### RICS advises that a PII policy should meet the following standards:

The nature and extent of the insurance must be adequate and appropriate having particular regard to:

- 'each and every' claim basis
- RICS minimum policy wording or more comprehensive wording. As a minimum, you should ensure that your policy wording is written on a full civil liability basis
- minimum level of indemnity based on the firm's turnover in the previous year (or estimated for a new firm).

Firm's turnover in the preceding year	Minimum limit of indemnity
£100,000 or less	£250,000
£100,001 to £200,000	£500,000
£200,001 and above	£1,000,000

In order to manage their risk adequately, some firms may wish to hold a higher level of indemnity

- **Maximum level of uninsured excess** (the part of each claim the firm must pay itself).

Limit of indemnity	Maximum uninsured excess
Up to and including £500,000	The greater of 2.5% of the sum insured, or £10,000
Over £500,000	2.5% of the sum insured

- **Fully retroactive**

PII policies work on a 'claims made' basis. This means that the policy covers claims that are first made against the insured during the period of insurance regardless of when the negligent act occurred. If the retroactive date of the policy is stated as "none" then the policy is fully retroactive and all former work carried out by the firm will be covered.

- **Underwritten by a listed insurer**

Further information on listed insurers can be found at [www.rics.org/newregulation](http://www.rics.org/newregulation)

- **Cover for past and present employees**

This includes all past and present partners, directors, members and employees. This protects those who leave the firm as well as your firm for the work that has been carried out in its name.

- **Run-off cover**

To ensure that firms, members and their clients are not exposed to financial detriment in the period following a firm ceasing to trade, RICS requires firms to obtain run off cover.

- **Further Information**

Your insurance broker should be able to provide you with further information on your insurance requirements. For further guidance on professional indemnity insurance, please phone the Regulation Helpline on **020 7695 1670**, or email [regulation@rics.org](mailto:regulation@rics.org).

## Additional Requirement

All RICS firms that conduct General Insurance Mediation work and are required to be registered with the Financial Conduct Authority or the RICS Designated Professional Body scheme must adhere to the following professional indemnity insurance requirement, which replaces the minimum limit of indemnity shown above.

- €1,120,200 each and every claim (or local currency equivalent)

This is in line with the requirements of the Insurance Mediation Directive and the cover may be subject to further adjustments in the future to be determined by the European Commission. The cover requirement applies when the policy is taken out, renewed or extended.

Please refer to RICS' Designated Professional Body Rules for further information.



## Confidence through professional standards

RICS promotes and enforces the highest professional qualifications and standards in the development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards – bringing confidence to the markets we serve.

We accredit 118,000 professionals and any individual or firm registered with RICS is subject to our quality assurance. Their expertise covers property, asset valuation and real estate management; the costing and leadership of construction projects; the development of infrastructure; and the management of natural resources, such as mining, farms and woodland. From environmental assessments and building controls to negotiating land rights in an emerging economy; if our members are involved the same professional standards and ethics apply.

We believe that standards underpin effective markets. With up to seventy per cent of the world's wealth bound up in land and real estate, our sector is vital to economic development, helping to support stable, sustainable investment and growth around the globe.

With offices covering the major political and financial centres of the world, our market presence means we are ideally placed to influence policy and embed professional standards. We work at a cross-governmental level, delivering international standards that will support a safe and vibrant marketplace in land, real estate, construction and infrastructure, for the benefit of all.

We are proud of our reputation and we guard it fiercely, so clients who work with an RICS professional can have confidence in the quality and ethics of the services they receive.

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