

# UK professional indemnity insurance requirements

Version 9 with effect from 1 April 2022

# RICS Rules of Conduct

'Firms must ensure that all previous and current professional work is covered by adequate and appropriate professional indemnity cover that meets the standards approved by RICS.'

The standards approved by the Standards and Regulation Board for firms providing surveying services in the United Kingdom are set out in this document.

## 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
- protect the insured member or firm against the consequences of its liability to pay damages to third parties for breaches of professional duty that it commits through its professional activities and
- ensure that 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.

## RICS requires that a PII policy should meet the following standards

The nature and extent of your insurance must be adequate and appropriate for your business. It must meet the following requirements.

- An 'each and every' claim basis or aggregate plus unlimited round the clock reinstatement 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 and the minimum level of indemnity based on the firm's turnover in the previous year (or estimated for a new firm). To manage their risk adequately, some firms may wish to hold a higher level of indemnity.

Table 1: Minimum limit of indemnity

| 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                 |

\*there is an additional requirement if your firm undertakes general insurance distribution work – see below.

- The maximum level of uninsured excess (the part of each claim the firm must pay itself):

Table 2: Maximum level of uninsured excess

| Firm turnover in the preceding year | Maximum uninsured excess                           |
|-------------------------------------|--|
| £10,000,000 or less                 | The greater of 2.5% of the sum insured, or £10,000 |
| £10,000,001 and above               | No limit set                                       |

- Be 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 an RICS listed insurer. Further information on listed insurers can be found at <https://www.rics.org/uk/upholding-professional-standards/regulation/regulatory-support/professional-indemnity/insurers-brokers/>
- Cover for all past and present employees, including all partners, directors, members and employees. This protects your firm for the work that has been carried out in its name and from work undertaken by those that leave the firm.

## Fire safety exclusions

Insurers may impose a fire safety exclusion. Exclusions vary dependent upon insurer; **however, from 1 May 2021 any exclusion will not apply to professional work relating to buildings four storeys or under.** Firms should seek the advice of their insurance broker, as to the impact of such exclusions in their consideration of the appropriateness and adequacy of their insurance on past work and future work. RICS will take into account the current market availability of cover for fire safety and any advice received from the firm's insurance broker in considering whether a firm has complied with the *Rules of Conduct*.

## 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 fully retroactive run-off cover. The minimum policy requirements are:

### For consumer claims

For a consumer (any natural person acting for purposes outside their trade, business or profession) claims, the requirement is for a limit of £1,000,000 in all for a period of six years from the expiry date of the policy in force at the time of cessation. RICS' minimum policy wording will automatically provide this coverage.

RICS members may deem that it is adequate and appropriate for run-off for consumer claims to be on an 'each and every claim' basis. RICS would expect run-off on this basis to be maintained for a minimum period of six-years from the cessation of the practice. It may be arranged and paid for on an annual basis, provided that in the event of the policy not being renewed, a minimum limit of £1,000,000 in all for a period of six years from the expiry date of the policy in force at the time of cessation is maintained.

### For non-consumer claims

The requirement is for firms to have adequate and appropriate run-off, but RICS would expect run-off to be maintained for a minimum period of six years from the cessation of the practice. Run-off for commercial activity may be arranged and paid for on an annual basis.

### Run-off Pool

Firms that are unable to obtain run-off from their incumbent insurer or the open market will be able to apply for coverage to the run-off Pool.

More information about the run-off pool, is available from <https://www.rics.org/uk/upholding-professional-standards/regulation/regulatory-support/professional-indemnity/assigned-risks-pool/>

### 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 distribution work and are required to be registered with the Financial Conduct Authority or RICS' Designated Professional Body scheme must adhere to the following professional indemnity insurance requirement, which replaces the minimum limit of indemnity shown in Table 1.

A limit of indemnity equivalent to at least €1,250,000 for each and every claim and at least €1,850,000 in the annual aggregate. The PII must cover any claims firms may face, and if undertaking cross-border insurance distribution activities, this must include cover for activities into, or from, territories outside of the UK. The cover requirement applies when the policy is taken out, renewed or extended.

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

## Delivering confidence

We are RICS. Everything we do is designed to effect positive change in the built and natural environments. Through our respected global standards, leading professional progression and our trusted data and insight, we promote and enforce the highest professional standards in the development and management of land, real estate, construction and infrastructure. Our work with others provides a foundation for confident markets, pioneers better places to live and work and is a force for positive social impact.

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