RICSV Professional Indemnity Insurance Standards

1. All members of RICS Valuers Ltd (RICSV) must maintain a Professional Indemnity Insurance (PII) policy that at a minimum is compliant with these Insurance Standards from the Date of Commencement of the scheme and for the duration of the scheme.

2. The PII policy must indemnify the member and/or business entity and its employees, against occupational liability relating to a cause of action founded on an act or omission occurring during the period when the scheme was in force, but only in respect of valuation of Real Property.

‘Real Property’ means all rights, interests and benefits related to the ownership of real estate, including any negative rights, interests or benefits (i.e. obligations, encumbrances or liabilities) relating to the interest being valued.

3. The PII policy must provide indemnity for claims made during the relevant period of insurance or circumstances from which a claim arises that is notified during the relevant period of insurance.

4. Subject to the Insurance Contracts Act (Cth) 1984 the member must ensure that notice is given to the insurer as soon as practicable and during the relevant period of insurance, of any claim or circumstances from which a claim may arise which arises during the relevant period of insurance.

5. Subject to the Insurance Contracts Act (Cth) 1984 the member must disclose to the insurer prior to renewal of the PII policy all claims or circumstances which may give rise to a claim.

6. The PII policy must:
   a. Cover the full amount of a member's limited liability for valuations of real property;
   b. Cover defence costs;
      i. where the Professional Indemnity Insurance Policy is cost inclusive, an additional $500,000 or 5% of the Policy cover (whichever is the greater) above the limited liability of the member provided that if a member has business assets the net current market value of which is not less than the additional cover, the member may notify the RICSV in writing of such assets. Further the member must at all times during the currency of the Professional Indemnity Insurance Policy be able to satisfy the RICSV, upon request, that the member has sufficient business assets, the net current market value of which is not less than the required amount notified, to pay within 28 days of a request for payment; or
      ii. where the Professional Indemnity Insurance Policy provides unlimited cost-in-addition cover, the minimum amount of insurance must not be less than the limited liability of the member; and
   c. Provide at least one automatic reinstatement where the PII policy is underwritten on an aggregate basis;
   d. Have an excess for each and every claim of no greater than 3% of the sum insured.

7. The member must at all times be able to satisfy RICSV, upon request, that the member has sufficient liquid assets and must report annually to RICSV Valuers Ltd and consent to an audit of such assets by RICSV and disclose such results to the Professional Standards Council.

8. The PII policy must indemnify any past, present or future partners or employees of the member.
9. The member must ensure that all past, present or future partners and employees are also members of RICS Valuers Ltd.

10. The member must ensure that all sub-contractors of the member are:
   a. Signed up to RICS Valuer Registration; and
   b. Have a PII policy that at a minimum complies with the RICSV Insurance Standards.

11. The PII policy should, if reasonably available on the market, include endorsements and exclusions to the following effect:
   a. General Endorsement - Market Movement Clause:
      The PII policy will not indemnify the member in respect of any claim relating to a valuation of real property unless such valuation includes a statement with the following effect:

      "This valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the particular property) Liability for losses arising from such subsequent changes in value is excluded as is liability where the valuation is relied upon after the date of the valuation."

   b. General Endorsement – Prudent Lenders:
      The PII policy will not indemnify the member in respect of any claim relating to a valuation of real property:

      For or on behalf of any person or entity lending money by way of loan or involved in the making of any loan; or

      For which responsibility is accepted to any person or entity lending money by way of a loan or involved in the making of any loan; unless either:

      i. The person or entity making such a loan is an authorised deposit taking institution within the meaning of the Banking Act 1959 (including but not limited to any bank, building society or credit union); or
      ii. The valuation includes a statement to the following effect:

      "This valuation is prepared on the assumption that the lender as referred to in the valuation report (and no other) may rely on the valuation for mortgage finance purposes and the lender has complied with its own lending guidelines as well as prudent finance industry lending practices, and has considered all prudent aspects of credit risks for any potential borrower, including the borrower's ability to service and repay any mortgage loan. Further, the valuation is prepared on the assumption that any such lender is providing mortgage financing at a conservative and prudent loan to value ratio. This clause (Prudent Lenders Clause) only applies if the lender is not a lender regulated by the Banking Act of 1959."

   c. General Endorsement – Assigned Valuations:
The Professional Indemnity Insurance Policy will not indemnify the member in respect of any claim relating to any:

- Assignment of a valuation (‘the initial valuation’);
- Confirmation of the initial valuation;
- Reissue of the initial valuation; or
- Other act which has the effect of assuming or of extending responsibility to any person other than the person to whom the initial valuation was addressed (‘other act’) unless:
  
  1. The initial valuation was dated within 3 months of the request for the assignment, confirmation, reissue or other act; and
  
  2. Such assignment, confirmation, reissue or other act is provided together with a clear written statement that the valuer has not re-inspected the property nor undertaken further investigation or analysis as to any changes since the initial valuation and accepts no responsibility for reliance upon the initial valuation other than as a valuation of the property as at the date of the initial valuation.’

However, the above exclusion does not apply to a revaluation where the Insured has re-inspected the property and undertaken further investigation and analysis of relevant property specific and market changes consistent with usual valuation practice for undertaking revaluations and/or update valuations having regard to the type of property being valued.

Provided that this exclusion shall not apply to any assignment, confirmation, reissue or other act completed prior to the inception of this policy.

d. General Endorsement – Kerbside Valuations:

The Professional Indemnity Insurance Policy will not indemnify the member for any claim directly or indirectly related to, based upon or attributable to or in consequence of any kerbside valuation or restricted valuation, unless conducted in strict compliance with the API guidelines.

e. General Endorsement – Solicitor Loans:

The Professional Indemnity Insurance Policy will not indemnify the member in respect of any claim relating to any valuation of real property:

  1. For or on behalf of a Solicitor Lender or any person lending money through a Solicitor Lender; or
  
  2. For which responsibility is accepted to any Solicitor Lender or any person lending money through a Solicitor Lender.

‘Solicitor Lender’ means any solicitor involved in arranging, controlling, managing, broking or otherwise inducing the lending of money on mortgage security (including but not limited to any solicitor controlled or managed mortgage fund) BUT shall not include any mortgage fund registered as a Managed Investment Scheme.

f. General Endorsement – Managed Investment Schemes:
The Professional Indemnity Insurance Policy will not indemnify the member in respect of any claim relating to a valuation of real property in connection with any Managed Investment Scheme (within the meaning of the Corporation Law) which:

1. has as its prime or substantial purpose, the provision of tax benefits to investors; or
2. is involved in any form of direct or indirect investment in primary production (including property used for primary production).

12. A PII policy ('first policy') shall not be cancelled or not renewed unless the member arranges a replacement PII policy (second policy) and ensures that there is continuity of cover between the first policy and the second policy.

13. Unless not reasonably available, the PII policy must provide run-off cover that complies with these Insurance Standards, for at least the traditional statutory limitation period in Australia. If the member is not able to secure run-off cover, they must provide RICSV with evidence of their efforts to obtain it along with the details of all provisions put in place to protect the occupational liability of all professionals that was enjoyed under the expiring policy. Furthermore, the member must cooperate with and provide any information that is reasonably requested by RICSV. If run-off cover is not available to someone joining RICSV, they must apply to RICSV for an exemption from this requirement when applying to become a member of RICSV. If run-off cover becomes unavailable to a current member of RICSV, they must apply to RICSV for an exemption from this requirement at least 5 business days before their existing run-off cover expires. Exemption is not an automatic right and it is subject exclusively to RICSV's approval.

14. The member must maintain fully retroactive cover to either:
   a. the Date of Commencement (where the member was a member prior to the Date of Commencement); or
   b. the date at which the person first became a member (Where the member was not a member prior to the Date of Commencement).

15. The PII policy must be maintained with an Authorised Insurer.

"Authorised Insurer" means an insurer duly permitted, under the Insurance Act 1973 to conduct insurance business in Australia or falls within an exemption for direct offshore foreign insurers under the Financial Sector Legislation Amendment (Discretionary Mutual Funds and Direct Offshore Foreign Insurers) Act 2007.

These requirements are subject to change as may be required by RICS, RICSV, Professional Standards Councils or Professional Standards Legislation.