



Professional indemnity insurance requirements

Version 4 with effect from 1 April 2019



RICS Rules of Conduct for Firms:

Rule 9

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

The standards approved by the Regulatory 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 the insurance must be adequate and appropriate having particular regard to:

- an '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; and
- the 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

Table 1: Minimum limit of indemnity

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

Table 2: Maximum level of uninsured excess

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

Cover for past and present employees

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

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 an 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.

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.

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 the whole territory of the European Union. This is in line with the requirements of the Insurance Distribution 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.



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