



Professional Indemnity Insurance Code & Guidance

Professional Indemnity Insurance Code

In this Code 'you' refers to individuals and bodies regulated by the **CLC**; all individuals and bodies regulated by the **CLC** must comply with this Code. You must not permit anyone else to act or fail to act in such a way as to amount to a breach of this Code.

Outcomes-Focused

The **Code of Conduct** requires you to deliver the following **Outcomes**:

- Each **Client's** best interests are served; (**Outcome 3.1**)
- You act in accordance with your regulatory responsibilities. (**Outcome 5.1**)

Providing **clients** with access to appropriate redress helps you deliver these **Outcomes** and requires you to act in a principled way:

1. **Act in the best interests of your Clients. (Overriding Principle 3)**
2. **Deal with regulators and ombudsmen in an open and co-operative way. (Overriding Principle 5)**
3. You only accept instructions and act in relation to matters which are within your professional competence. (**CoC P3a**)
4. You only provide **Regulated Services** whilst you have **CLC**-approved **professional indemnity insurance** in force. (**CoC P3i**)
5. You ensure there are adequate indemnity **arrangements** in respect of **claims** made against you for work carried out by you before you ceased to practice by taking out **professional indemnity insurance** for a minimum period of 6 years from the expiry of the period of **professional indemnity insurance** stated in your evidence of insurance or policy document. (**CoC P3o**)
6. If you seek to exclude or limit liability, you do so only to the extent that such exclusion or limitation is above the minimum level of cover afforded by **CLC**-approved **professional**

indemnity insurance; you must obtain the written informed consent of the **Client** for such exclusion or limitation to be effective. (CoC P3p)

You must also comply with the following **specific requirements**:

7. When providing services which are not regulated by the **CLC**, you advise your **Client** of this and inform them in writing that the activity is not covered by **CLC**-approved **professional indemnity insurance** or the **CLC**-administered **Compensation Fund**. (CoC P3q)
8. You **promptly** notify insurers in writing of any facts or matters which may give rise to a claim under **CLC**-approved **professional indemnity insurance**. (CoC P5k)

Professional Indemnity Insurance

9. When providing **CLC-regulated services** you must have **professional indemnity insurance** in place at all times, which complies with the minimum requirements of Article 3 IMD and the **CLC's PII Policy Wording**.
10. You must:
 - 10.1 Pay the applicable annual premium for **professional indemnity insurance**;
 - 10.2 Comply with the **professional indemnity insurance** terms as apply to you;
 - 10.3 Comply with the Self Insured Excess policy (set out at 13) and such other policies as the **CLC** may issue;
 - 10.4 Produce a current **Evidence of Insurance** when requested by the **CLC**;
 - 10.5 Permit the **Participating Insurers** or the **Brokers** to notify the **CLC** should any circumstances arise whereby the **Participating Insurers** or the **Brokers** consider that the body has failed to comply with their responsibilities as a **CLC** body or when any **Evidence of Insurance** is avoided.

European Union (EU) Bodies – if you are a European Lawyer

11. If on application:
 - 11.1 you satisfy the **CLC** that the **EU body** (of which you are a **Manager**) has **EU Professional Cover** which complies with the **CLC's PII Policy Wording** in all its conditions and cover then the **EU body** will be exempted from obligation to comply with requirement 10.1 whilst the **EU**

Professional Cover (and any agreement with the cover provider) remains in force and is complied with;

- 11.2 you satisfy the **CLC** that the **EU body** (of which you are a **Manager**) has **Partial EU Professional Cover** then the **EU body** and its **Managers** shall be exempted from the obligation to comply with regulation 10.1 whilst the **Partial EU Professional Cover** (and any agreement with the cover provider) and a **Supplemental Policy** remain in force and is complied with.

Claims

12. In the event of a **professional indemnity insurance claim** you produce any information the **CLC** deems appropriate within five **working days** of the **CLC's** information request.

Self Insured Excess

- 13.1 Should your self-insured Excess exceed:

(1) £3,500 or

(2) the sum of the following:

(i) 5% Fees (as defined in the **CLC's PII Policy Wording**) where the Fees are no more than £200,000; plus

(ii) 3% Fees on Fees between £200,001 and £500,000; plus

(iii) 2% Fees on Fees between £500,001 and £1,000,000;

you report this to the **CLC**. The **CLC** will need to be satisfied that the body will avoid additional exposure of the **CLC's Compensation Fund** to unpaid excesses.

- 13.2 If you are satisfied that the body you manage has the ability to meet additional liability over and above this you may make a specific application to the **CLC** to increase the self-insured Excess where Fees are greater than £1,000,000.

- 13.3 Your application outlines how the body intends to meet the obligation to avoid additional exposure of the **CLC's Compensation Fund** to unpaid excesses.

Professional Indemnity Insurance Guidance

1. A **Licence** will not be issued to a **Manager** unless the applicable **Evidence of Insurance** for your **Body** has been produced to the **CLC**.
2. As a guide to the provisions under requirement 13 a body should be able to demonstrate it can fund the self insured excess for no less than two **claims** per year.

Examples of Limits on Self Insured Excess:

- Fees £250,000 Maximum Excess = £200,000 X 5% + £50,000 X 3% = £11,500
- Fees £600,000 Maximum Excess = £200,000 X 5% + £300,000 X 3% + £100,000 X 2% = £21,000
- Fees £900,000 Maximum Excess = £200,000 X 5% + £300,000 X 3% + £400,000 X 2% = £27,000

3. We would remind you of your responsibility under the [Provision Of Services Regulations 2009](#) to make the following 'available': contact details for the Professional Indemnity Insurance provider, and the geographic coverage of that PII. It is at your discretion as to how make this available e.g. given in writing to the client at the outset, hard copy at the firm's offices, on website, or in documents provided to the client during a transaction etc.'