



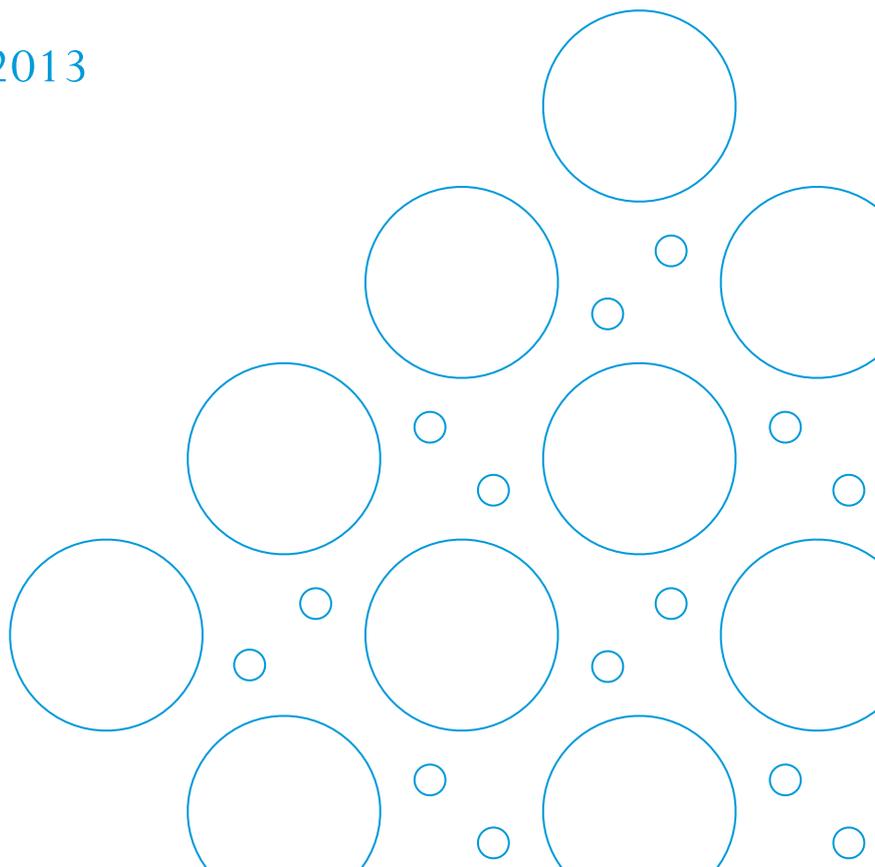
Ministry
of Justice

Claims Management Regulation

Guidance on who needs to obtain Professional Indemnity Insurance

Compensation (Claims Management Services)
(Amendment) Regulations 2008

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Introduction

In certain circumstances regulated claims management companies (CMCs) are required to hold professional indemnity insurance (PII). This requirement is set out in [the Compensation \(Claims Management Services\) \(Amendment\) Regulations 2008](#).

The information in this guidance explains which CMCs require PII, our rules for holding PII, and how to obtain PII.

What is professional indemnity insurance (PII)?

PII is a type of insurance that covers your business in the event that a client claims to have suffered a loss as a result of your professional negligence. If a client makes a claim of valid professional negligence, the legal costs (and, if payable, compensation) may be paid, wholly or in part by your insurer.

Which CMCs are required to have PII?

Only CMCs that represent clients in personal injury claims must have PII. This requirement also applies to any new business applying for authorisation to provide this service. Representing clients means acting on the client's behalf to settle a claim for compensation. This includes agreeing a settlement in writing or in person.

You **do not** need PII if you:

- do not represent clients;
- always refer personal injury claims to other parties, e.g. a CMC or a solicitor; or
- represent clients in other claims sectors and not personal injury claims.

Several examples are set out below of when PII may be required:

Example 1:

A CMC deals with claims for personal injury only. Most of the time it passes on claims to a local solicitor. Sometimes it deals directly with the insurance company of the person the client was claiming from and agrees a settlement. **PII is needed in this situation.**

Example 2:

A CMC deals with claims for personal injury. It always refers claims to another authorised CMC. **PII will not be needed.**

Example 3:

A CMC deals with claims for personal injury and criminal injury. It regularly deals with the Criminal Injuries Compensation Authority to settle criminal injury claims, but always passes on personal injury claims to a local solicitor. **PII will not be needed.**

Example 4:

A CMC deals with claims for personal injury, criminal injury and Industrial Injury Disablement Benefits. Although it has not done so in the past, it plans to represent clients in all three sectors and not refer them on. **PII will be needed** to cover the business from the first day of representing personal injury clients only.

I don't need PII under the 2008 Regulations, but would like similar protection. Can I obtain PII?

Some CMCs may already have PII because they want the protection of insurance. If you think it would be useful to have PII in case someone claims against you for professional negligence, you can look for an insurer to provide PII.

I already have a PII policy. Do I need to get another one?

Some CMCs may already have a PII policy. This may be because they act as an insurance intermediary, selling insurance products such as after the event (ATE) insurance, or because they require protection in case of a claim for negligence.

If you have a PII policy already in place, check it with your insurer. If the policy covers your claims management activities you may not need to obtain a new policy to meet the new requirement. If the policy does not cover claims management activities, you will need to either extend your existing policy or obtain a new policy.

What will the PII policy need to cover?

The 2008 Regulations set out the minimum terms that the policy must meet:

- the minimum level of indemnity must be £250,000 for one claim and £500,000 in aggregate;
- if there is an excess on the policy it must be a maximum of £10,000 per claim;
- the policy should have cover for legal defence costs; and
- there must be continuous cover for all claims made during the lifetime of the policy, as well as claims you are told about during the period of the policy that may be made after the policy has ended.

What will insurers look at before offering me PII?

Insurers assess risks differently but often look at four areas of an authorised CMC when calculating the premium:

- total income;
- the minimum terms in the 2008 Regulations;
- risk profile of the business; and
- nature of the business.

The insurer might ask you to put a particular process in place as a condition of your policy, but it is up to you to decide whether to agree to the terms of a particular policy or ask another insurer for a quote.

Which insurers provide PII?

We do not hold a list of insurers who provide PII in the United Kingdom (UK). However, the 2008 Regulations state that you may obtain your PII from an insurer based in the UK, the Channel Islands, Gibraltar, Bermuda or the Isle of Man. You can also get a policy from an insurer in a Zone A country.

A Zone A country has minimum financial standards. Zone A is made up of:

- all countries in the [European Economic Area \(EEA\)](#);
- members of the [Organisation for Economic Co-operation and Development \(OECD\)](#); and
- members of the [International Monetary Fund \(IMF\)](#) that have concluded special lending arrangements. The only exception is if any of these countries have changed their repayments on government loans, they will be excluded from Zone A for a period of five years.

Most insurers providing PII to businesses in the UK will have offices in the UK. If that is the case, you do not need to check if it is from a Zone A country, but should be aware that not all insurers offer PII.

Where can I get further advice?

We can assist you with general advice on which CMCs require PII, but do not recommend insurers or brokers.

Contact us at:

Claims Management Regulation Unit
57 – 60 High Street
Burton-upon-Trent
Staffordshire
DE14 1JS

Tel: 0333 200 1320
(Lines are open Monday to Friday 9:00 – 17:00)

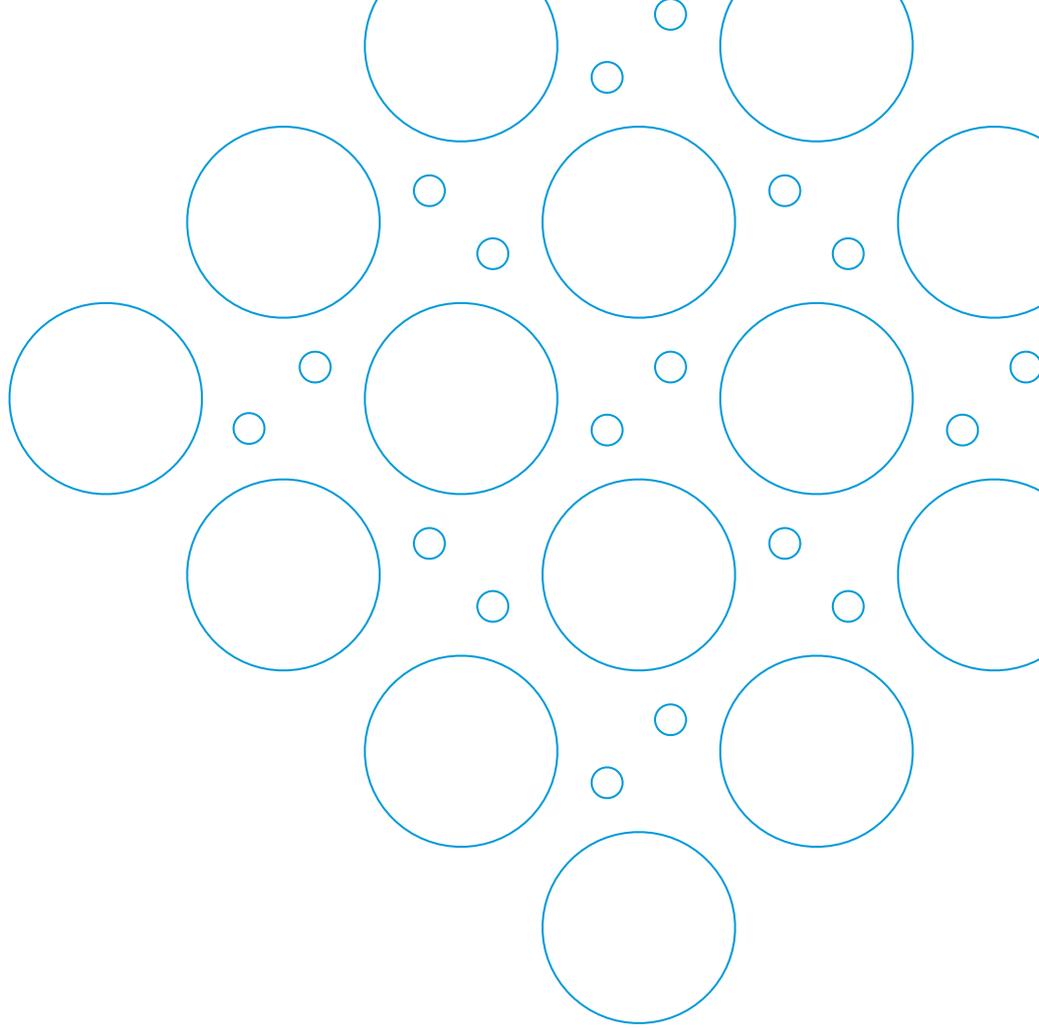
Email: business@claimsregulation.gov.uk

Website: www.justice.gov.uk/claims-regulation

Other useful contacts:

Association of British Insurers (ABI)
British Insurance Brokers Association (BIBA)
Financial Conduct Authority (FCA)

www.abi.org.uk
www.biba.org
www.fca.org.uk



Contact Information

For queries concerning information in this publication please contact:

Ministry of Justice
Claims Management Regulation Unit
Headquarters
102 Petty France
London SW1H 9AJ

E-mail: claimsmanagementregulation@justice.gsi.gov.uk
business@claimsregulation.gov.uk

Website: www.justice.gov.uk/claims-regulation