

Professional Indemnity Insurance – Members Guide

A guide for members regarding Professional Indemnity Insurance (PII) requirements

CPA Australia Ltd (“CPA Australia”) has minimum requirements for PII for members providing public accounting services. These requirements are detailed in By-Law 9.8 and can be found at cpaaustralia.com.au.

The purpose of this guide is to provide you with answers to commonly asked questions and to assist you in meeting your PII obligations.

Why do I have to have PII?

By-Law 9.8 requires that every member providing Public Accounting Services into Australia or New Zealand (no matter where in the world they are located), or who holds a current Public Practice Certificate, must hold a current enforceable PII policy that satisfies at least the minimum requirements.

PII is a form of liability insurance which may indemnify the member for any civil liability arising from a claim made by their clients and others who rely on their professional advice. Professional indemnity claims for accountants are usually made based on economic loss as a result of advice provided.

What is the minimum amount of PII required?

According to the current By-Laws, members offering public accounting services in Australia who hold a CPA Australia Public Practice Certificate are required to hold a minimum of PII cover as set out in By-Laws 9.8(c).

Below is an excerpt from By-Law 9.8(c)

The minimum requirements, unless otherwise specified by the Board in any particular case, for a policy of professional indemnity insurance are:

- (i) the minimum sum insured must be the greater of:
- A. the sum of NZ\$1,000,000 for New Zealand-based Members;
 - B. for Australian-based Members:

	For Australian-based Members not providing audit, assurance services	For Australian-based Members providing audit, assurance services
If the Member is in an Approved Practice Entity with practice fee income for the prior year of less than \$10 million.	\$2 million	\$2 million
If the Member is in an Approved Practice Entity with practice fee income for the prior year of between \$10m- \$20m	\$10 million	\$10 million
If the Member is in an Approved Practice Entity with practice fee income for the prior year of more than \$20m	\$20 million	\$75 million

Is there anything else I should consider when seeking out an PII policy?

Some best practice considerations are:

- The policy should be a 'claims made' or 'claims made and notified' policy rather than an 'occurrence' based policy.
- The policy should have a continuous cover extension.
- The policy should contain an aggregation clause which provides that, for the purposes of calculating the number of excesses payable:
 - all causally connected or interrelated acts, errors or omissions shall jointly constitute a single act, error, or omission under this Policy; and
 - where a single act, error, or omission gives rise to more than one claim, all such claim(s) shall jointly constitute one claim.
- Members should preferably seek to obtain a single policy which complies with these Insurance standards.

What evidence do I need to send you that I hold a current PII policy?

A certificate of currency is the accepted form of evidence.

What is the timeframe for sending this to you?

The certificate of currency should be provided to CPA Australia within 10 business days of the issue, renewal or replacement of your PII.

How can I provide this to you?

The most convenient method of providing CPA Australia with the certificate of currency is via the member [PII Portal](#).

Can I email the certificate of currency?

You may email the certificate of currency to publicpractice@cpaaustralia.com.au and ensure that your member number is included in the email.

Can I mail it to you?

Yes. You can post the certificate of currency to CPA Australia, Public Practice, GPO Box 2820, Melbourne, VIC 3006.

Is a tax invoice, summary of insurance or memorandum of insurance an acceptable evidence of my PII?

No.

Does CPA Australia have a preferred insurer?

We do not prefer or endorse any insurance supplier or product. Members are at liberty to seek professional indemnity insurance cover with whomever they wish provided the requirements set out in the By-Laws are met. Over the years we have identified insurance providers (insurance brokers and insurance underwriters) who can provide cover that meets the requirements under our By-Laws. Presently we are partnered with Marsh* who can provide a PII solution for our members which meets all our By-Law 9.8 requirements and will work with CPA Australia to help achieve our desired outcomes being pricing stability and strong risk management education to our members in public practice. As always, members still need to check any cover they acquire meets the requirements of CPA Australia's By- Laws and professional standards schemes.

Do I have to use Marsh?

No. Members can choose their insurer (or broker) provided the PII policy meets the requirements of CPA Australia's By- Laws and professional standards schemes.

In the past, if my PII policy was held with QBE or Fenton Green, I didn't have to provide my certificate of currency. Do I have to now?

Yes.

If my PII policy is held with Marsh, do I have to provide my certificate of currency?

Yes.

If I have provided my certificate of currency to the Tax Practitioners Board (TPB) why do I also need to give it to you?

CPA Australia's requirements are governed by our By-Laws and the differ from the requirements of the TPB. CPA Australia needs to confirm that your current PII policy meets our minimum requirements.

What if I can't obtain PII?

Whilst holding a CPA Australia Public Practice Certificate, it is a breach of the By-Laws not to have a current PII policy that meets the minimum requirements prescribed in By-Law 9.8. In the event that you do not renew your PII and do not contact CPA Australia to discuss your circumstances or options, a member may be referred to the General Manager Professional Conduct for not meeting your requirements.

What happens if I do not provide a certificate of currency?

If a certificate of currency is not provided, you will be referred to the General Manager Professional Conduct for not meeting your requirements.

I have sold my practice and am now retired. Do I need PII?

Members must ensure they have appropriate run-off cover once they cease offering public accounting services. Please email publicpractice@cpaaustralia.com.au to outline your circumstances and arrange for the [cancellation](#) of your Public Practice Certificate. An update or cancellation application will need to be completed if you are no longer providing professional accounting services and/or you no longer require a PPC or LPPC.

I have sold my practice and now work for another practitioner. Do I need PII?

If you are now working for an employer you may be covered by their PII policy. Members must ensure they have appropriate run-off cover once they cease offering public accounting services. Please email publicpractice@cpaaustralia.com.au to outline your circumstances. An update or cancellation application may need to be completed depending on your circumstances.

I have retired and am doing pro-bono work. Do I need PII?

Members undertaking pro-bono work must hold PII. CPA Australia offers a complimentary PII policy specifically for members performing pro bono or voluntary accounting services in the community. All members are automatically covered by this policy. You do not need to opt-in to receive the benefit of the cover. If you would like a copy of the policy wording or the Certificate of Insurance email publicpractice@cpaaustralia.com.au.

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How can I contact Marsh?

Marsh can be contacted via the link on our [PII webpage](#).

What is a Professional Standards Scheme?

A professional standards scheme limits the liability of members with regard to economic loss for damages arising from occupational and civil liabilities. A professional standards scheme does not limit liability for death, personal injury, a breach of trust, fraud or dishonesty. Professional standards schemes are approved and monitored by the Professional Standards Councils operating in each Australian state or territory. See [Professional Standards Councils](#).

Where can I find more information on PII and CPA Australia's Professional Standards Schemes

Guidance is available on the CPA Australia website. Go to [CPA Australia's Professional Standards Scheme](#).

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