

**PROFESSIONAL INDEMNITY INSURANCE (LIMITS OF INDEMNITY)
INSTRUMENT 2009**

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 138 (General rule-making power);
 - (2) section 156 (General supplementary powers); and
 - (3) section 157 (Guidance).
- B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 March 2009.

Amendments to the Handbook

- D. The Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU) is amended in accordance with Annex A to this instrument.
- E. The Interim Prudential sourcebook for Investment Businesses (IPRU(INV)) is amended in accordance with Annex B to this instrument.

Notes

- F. In this instrument, the “notes” (indicated by “**Note:**”) are included for the convenience of readers but do not form part of the legislative text.

Citation

- G. This instrument may be cited as the Professional Indemnity Insurance (Limits of Indemnity) Instrument 2009.

By order of the Board
22 January 2009

Annex A

Amendments to the Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU)

In this Annex, underlining indicates new text and striking through indicates deleted text.

3.2.7 R If the *firm* is an *insurance intermediary*, then the minimum *limits of indemnity* are:

- (1) for a single claim, ~~€1,120,200 million~~; and
- (2) in aggregate, ~~€1.5 1,680,300 million~~ or, if higher, 10% of annual income up to £30 million.

[**Note:** Article 4(3) of the *Insurance Mediation Directive*]

3.2.7A G Article 4(7) of the *Insurance Mediation Directive* requires the *limits of indemnity* to be reviewed every five years to take into account movements in European consumer prices. These limits will therefore be subject to further adjustments on the basis of index movements advised by the European Commission.

...

TP 1 Transitional Provisions

TP 1.1

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
...					
<u>3</u>	<u>MIPRU 3.2.7R</u>	<u>R</u>	<u>The new <i>limits of indemnity</i> apply to a professional indemnity policy or a comparable guarantee agreement commenced, renewed or extended with effect from or after 1 March 2009. Any other existing non-annual arrangements must be</u>	<u>1 March 2009 to 28 February 2010</u>	<u>1 March 2009</u>

			<u>aligned with the new limits of indemnity before 1 March 2010.</u>		
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Annex B

Amendments to the Interim Prudential sourcebook for Investment Businesses (IPRU(INV))

In this Annex, underlining indicates new text and striking through indicates deleted text.

9.2.5 R (1) An *exempt CAD firm* that is also an *IMD insurance intermediary* must comply with the professional indemnity insurance requirements at least equal to ~~the limits~~ those set out in 9.2.4R(1)(b) (except that the minimum *limits of indemnity* are at least €1,120,200 for a single claim and €1,680,300 in aggregate) and in addition has to have...

9.2.5A G Article 4(7) of the *Insurance Mediation Directive* requires the *limits of indemnity* to be reviewed every five years to take into account movements in European consumer prices. These *limits* will therefore be subject to further adjustments on the basis of index movements advised by the European Commission.

...

13.1.4(2) R The policy must incorporate terms which are appropriate and must make provision for:

...

(b) if the *firm* is an *IMD insurance intermediary* ~~or an *exempt CAD firm* that maintains professional indemnity insurance under 13.1A.3(1)(b)~~, appropriate minimum *limits of indemnity* per year which are, no lower than:

(i) ~~€1,000,000~~ 1,120,200 for a single claim against the *firm*; and

(ii) ~~€1,500,000~~ 1,680,300 in the aggregate;

[Note: Article 67(3) of *MiFID* and Article 7 of *CAD* (see also rule 13.1A.3 4(3) of the *Insurance Mediation Directive*]

(ba) if the *firm* is an *exempt CAD firm* that maintains professional indemnity insurance under 13.1A.3(1)(b), appropriate minimum *limits of indemnity* per year which are no lower than:

- (i) €1,000,000 for a single claim against the *firm*; and
- (ii) €1,500,000 in the aggregate;

[Note: Article 67(3) of *MiFID* and Article 7 of *CAD* (see also rule 13.1A.3)]

...

13.1.4(2A) G Article 4(7) of the Insurance Mediation Directive requires the limits of indemnity to be reviewed every five years to take into account movements in European consumer prices. These limits will therefore be subject to further adjustments on the basis of index movements advised by the European Commission.

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Transitional Provisions

1. Table

Transitional provisions applying to IPRU(INV)

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
...					
3	<u>IPRU(INV) 9.2.5R and IPRU(INV) 13.1.4(2)R (b)</u>	<u>R</u>	<u>The new limits of indemnity apply to a professional indemnity policy or a comparable guarantee commenced, renewed or extended with effect from or after 1 March 2009. Any other existing non-annual arrangements must be aligned with the new limits of indemnity before 1 March 2010.</u>	<u>1 March 2009 to 28 February 2010</u>	<u>1 March 2009</u>