Note- this is taken from the consultation document. A copy of the consultation (24 pages) is available in the reading room.

APPENDIX A: SUMMARY OF PROPOSED CHANGES

Following its review of the responses to the call for evidence, the PII Committee is recommending the following changes to ICAEW's PII arrangements:

- The minimum limit of indemnity should be increased, so that generally, firms will be required have **a £2million any one claim and in total limit of indemnity.** Defence costs will continue to be in addition to the limit of indemnity.
- If a firm's gross fee income is less than £800,000, the minimum limit of indemnity for any one claim and in total should be equal to **two and a half times its gross fee income**, with a minimum of £250,000.
- If a firm's gross **fee income is over £50m** it will be classified as a "large firm". Large firms will not be required to put in place qualifying insurance but they will continue to have the obligation to have in place reasonably appropriate arrangements for their exposure to risk which is qualitatively assessed.
- The self-insured amount should be structured to permit an excess rather than a deductible (so that the full extent of the limit of indemnity would be available above any excess).
- Generally, defence costs should not be applicable to the excess (except in the case of FCA authorised work, as is currently the case). However, if a firm's gross fee income is over **£800,000** then the excess may be applied to defence costs.
- For firms required to put in place qualifying insurance, the maximum permitted aggregate excess will **be the higher of £2,500 or 3% of the firm's fee income**.[1]
- If a firm fails to pay a claimant any amount which is within the excess due to its insolvency, the insurer will become liable to remedy the default on the insured firm's behalf.
- Further guidance will be provided regarding 'compound firms' to make it clear in what circumstances firms can insure multiple entities within a group under a single policy of insurance.
- Qualifying insurance should provide automatic run-off cover for six years, which is non-cancellable by insurers for non-payment of premium.
  - Automatic run-off cover would be for a single aggregate limit of indemnity across the entire six-year run-off period. This limit would be calculated in the same way as the annual aggregate minimum limit required by the firm's qualifying insurance directly preceding the cessation of the practice.
  - Participating insurers should be required to outline at inception of a policy how the premium for run-off cover will be calculated.
- The guidance regarding applications for dispensation should be updated to ensure the process is clearer and more transparent. A fee for processing dispensation applications will also be introduced.

[1] Currently firms are permitted to have an aggregate deductible of £30k x number of principals.