



Professional Indemnity Insurance Regulations

Nigel Chambers

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Why is this so important?



- ◆ Part of our mandate to protect the public interest
- ◆ Protection of the practitioner's viability in the event of significant claim(s)
- ◆ Practitioners still have unlimited liability in Jamaica
- ◆ Joint and several liability for partnerships, effectively unlimited liability for the actions of others (including company directors, if found liable and unable to pay)

Background



- ◆ *Standard requirement for Professional Accounts in many countries*
- ◆ *Regulations approved by Council of ICAJ*
- ◆ **Amendment to Bye-Laws approved at 2012 Annual General Meeting**
- ◆ *3 year Transition plan approved by Council of ICAJ*

Applicability



- ◆ Members holding Practising Certificates, involved in audit/attestation work
- ◆ New members upon application for practising certificate
- ◆ to maintain cover and file certification annually
- ◆ Maintain cover for up to six years after practice, in accordance with statute of limitations
- ◆ Registered and regulated insurance company (Jamaica or international)

The basic requirement for coverage



- ◆ Minimum of \$3,000,000 cover
- ◆ For practitioners with gross annual revenue in excess of J\$1,200,000, PII shall be the greater of
 - ◆ 2.5 times the **average gross annual revenue** from total **audit/attestation** fees for the last **three (3) years**, or
 - ◆ **15 times** the **average** of the total audit/attestation fees raised from the **single largest client** during the last **three (3) years**.

Definitions



- ◆ “Single largest client” shall be determined based on the cumulative amount of audit/attestation fees raised to a particular client or “group” of clients.
- ◆ “Group” shall be taken to mean a holding company, together with its subsidiaries and other affiliates and related/connected parties.

Transitional Coverage



2.5 times 3-year average gross annual audit/attestation revenue

July 2014 to June 2015	0.833 times
July 2015 to June 2016	1.67 times
July 2016 onwards	2.5 times

Transitional Coverage



15 times 3-year average audit/attestation fees from largest client

July 2014 to June 2015	5 times
July 2015 to June 2016	10 times
July 2016 onwards	15 times

Illustrations



- ◆ [The PII Declaration form](#)
- ◆ [..\Personal Stuff\ICAJ\Audit Practice Committee\PII\PII Declaration Form - Nov 2014 edits.doc](#)
- ◆ Supporting calculations
- ◆ [..\Personal Stuff\ICAJ\Audit Practice Committee\PII\Calculation of applicable PII cover.xlsx](#)

Failure to comply



- ◆ Disciplinary action as determined by Council
- ◆ Referral to Public Accountancy Board – bear in mind PAB applications require confirmation that the applicant intends to maintain PII in accordance with the PAB regulations
- ◆ Important to maintaining fair treatment and fair competition

Questions?





Thank you!!