

## Excerpt from the Insurance Intermediaries Rules

### Part 7 Conduct of Business

#### 7.8 Professional indemnity insurance

7.8.1 A licensee must maintain adequate insurance at all times, commensurate with the size and nature of its business activities. Such cover must include professional indemnity insurance and insurance against employee dishonesty or fraud as required by this section.

~~7.8~~

#### 7.8.17.8.2 Minimum requirement

(1) A licensee must maintain the minimum cover as laid out in subsection (2). The board is responsible for ensuring that the insurance arrangements for the licensee are adequate. Where the licensee concludes that amount of insurance required for the size and nature of its business is greater than the maximum amount in (2)(b) then the amount of cover the licensee is required to maintain is the higher amount.

(1)(2) Subject to subsection (3) every licensee must maintain professional indemnity insurance and employee dishonesty or fraud insurance with the following minimum limits –

(a) on the basis of each and every loss cover of at least ~~£250,000~~£1,000,000; and

~~(b)~~(b) on an annual basis, £1,000,000 or three times ~~fee-income from regulated activities~~income, whichever is the greater, ~~but the Commission reserves the right to vary, in writing, these amounts in relation to individual licensees, where it considers it appropriate to do so.~~

Guidance

The income from regulated activities should be based on the latest audited financial statements at the time of the relevant insurance renewal.

For the avoidance of doubt, insurance cover based on a prior year's audited financial statements does not need to be amended before the next annual renewal following the release of the following year's financial statements. However, a licensee is expected to consider whether additional cover should be arranged with immediate effect in the event that the audited financial statements show a material increase in regulatory income.

(3) Where the licensee also carries out unregulated activities, the licensee must consider whether the minimum indemnity limit of its insurance policies and scope of the insurance cover are appropriate for its businesses as a whole, taking into account possible claims that may also arise from unregulated businesses.

(4) Notwithstanding Rule 7.8.2(2), above, a licensee is not required to have aggregate insurance cover exceeding £10,000,000 provided that the Board of the licensee has considered and decided that such level of cover is appropriate and sufficient for its business. The licensee must be able to evidence the Board's assessment if requested by the Commission.

Guidance

The consideration by a licensee of its insurance requirements should be clearly documented at local board or senior management level to demonstrate how the decision was made. The Commission expects all licensees, whether or not they are part of organisations with offices elsewhere, to consider the insurance requirements for the entities in the Bailiwick of Guernsey.

Where a local operation is part of a group and the local board or management do not consider the cover available to the Guernsey licensee to be adequate the Commission expects the board or management to make arrangements to maintain appropriate cover. This may include purchasing a separate policy for the local operation.

~~(2)~~(5) Where the deductible or excess exceeds £20,000, on the basis of each and every loss, the minimum capital requirement will increase to 125% of the deductible or excess.

(6) A licensee must maintain at all times cover for:

- (a) negligence, errors or omissions by the licensee or its employees;
- (b) any liability for the dishonest or fraudulent acts of employees which may fall on the licensee;
- (c) liabilities of its employees who, in the course of their duties to the licensee, perform functions in their own names;
- (d) liabilities which the licensee might incur in any jurisdiction in which it should reasonably foresee that it may be held liable for damages and costs;
- (e) where relevant, ombudsman awards; and
- (f) legal defence costs.

(7) The retroactive date for the insurance arrangements in this section must be the date the licensee was licensed by the Commission.

#### 7.8.27.8.3 Notifications to the insurer

(1) A licensee must –

- (a) when applying for cover, notify his professional indemnity insurer, through his broker where appropriate, of all material facts including and without limitation –
  - (i) details of any condition imposed on the licensee, under section 7 of the Law;
  - (ii) revocation of the licensee's licence, under section 9 of the Law;
  - (iii) any regulatory penalty taken by the Commission against the licensee, or any of its directors or employees, under the FSC Law, or any of the Regulatory Laws;