

Direction 109 issued under Part 3 of Schedule 4 to the Legal Services Act 2007 to the Institute of Chartered Accountants in England and Wales (ICAEW)

1. This is a direction issued pursuant to paragraph 19(3) of Schedule 4 to the Legal Services Act 2007 (the Act).
2. Unless stated otherwise, words in this direction are used as they are defined in the Act.
3. In accordance with paragraph 19(3) of Schedule 4 to the Act, the Board has directed that the following alterations by ICAEW to its regulatory arrangements be treated as exempt alterations for the purposes of paragraph 19(2)(c) of Schedule 4:

ICAEW Professional Indemnity regulations - Minimum Approved Wording

Proposed changes

4. The ICAEW Professional Indemnity regulations require members engaged in public practice and firms conducting activities which are regulated under statute, including probate, to hold qualifying insurance which complies with the minimum approved wording. Under the terms of the Insurers Agreement, a participating insurer may use policy wording which departs from the minimum approved wording, provided it includes a difference in conditions (DIC) clause in the policy.
5. The main change is in respect of the introduction of a revised clause D4 in the minimum approved wording, concerning the requirement on participating insurers to provide run-off cover to firms on cessation of practice. It does not alter the existing requirements on firms to obtain run-off cover in accordance with the regulations.
6. Additional substantive amendments are:
 - to clauses C4.4 and D2.1 to ensure that claimants are not left waiting for recoveries;
 - the addition of clause E18 which clarifies that policies must provide retroactive cover in accordance with the minimum requirements set out under the regulations; and
 - amendments to paragraph a) of the DIC clause to ensure that policies with a policy period of more than 18 months incorporate any changes to the minimum approved wording that have been made since the inception of the policy (including changes to the requirements concerning the minimum limit of indemnity and maximum allowable excess under the regulations).
7. The remaining changes are of a minor nature and are intended to clarify the arrangements and to improve drafting.

Reason for exemption direction

8. The changes do not represent a major shift in ICAEW's regulatory approach or policy with respect to PII. The main alteration refines the regulations to effectively make it easier for firms to obtain run-off cover in the open market, which should better protect consumers. The remaining changes are a tightening and clarification of procedures and drafting.
9. A copy of the alteration was submitted to the Board on 23 February 2017.
10. This direction is to be deemed made on and to be effective from 7 March 2017.

For and on behalf of the Legal Services Board
7 March 2017