



# Professional Indemnity Accountants



**TOKIOMARINE**  
**HCC**

[tmhcc.com](http://tmhcc.com)

# Accountants

We target the SME sector of the accountancy industry. Accountancy is one of the more established professions and is made up of members from a number of professional bodies as well as unqualified but highly experienced advisors such as former tax inspectors and bookkeepers. Some of the professional bodies are highly regulated and maintain rules for mandatory PI cover. Governing bodies such as the Institute of Chartered Accountants of England and Wales (ICAEW) issue 'practising certificates' without which member firms are unable to practice.

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There are nearly 300,000 qualified accountants in the UK. The sector varies tremendously from sole practitioners through to the 'big four' accountancy firms. Below is a list, by no means exhaustive, of the type of work undertaken:

- Audit, accountancy and company tax for quoted companies: Reporting requirements are greater and very much in the public eye and under scrutiny. The scope and size of potential claimants, especially with financial institutions, is large and losses can be enormous. At Tokio Marine HCC we will not cover firms undertaking this work.
- Audit, accountancy and company tax for clients other than quoted companies: This is the bread-and-butter business for small to medium sized accountancy firms.
- Personal taxation: This can become complex in certain areas. For example, members of Lloyd's, the entertainment industry or those residing off-shore for tax reasons.
- Corporate taxation: Another area that can become very complex depending upon the nature and size of the companies involved.
- Management consultancy: At a purely strategic level this can be very low hazard. At the level of interim management or IT consultancy the degree of risk may rise.
- Insolvencies, liquidation and receiverships: Every project has the potential for problems. Individuals and companies will be in debt and creditors will be owed money.
- General insurance: Most accountants, if they undertake work in this area, will do so as introducers only and do not get involved in insurance broking to a significant extent.
- Financial services: If they are acting as introducers only the exposure is low, but where financial advice is given significant losses can arise.
- Mergers, acquisitions and disposals: Claimants can be substantial organisations with deep pockets. Deals can go wrong, especially when a business has hidden liabilities.





## Why Tokio Marine HCC

- Direct access to a team of expert underwriters
- Located in London, Birmingham, Bristol and Manchester
- Understanding of clients' needs and cover requirements
- Speed and quality of service
- Policy documentation production within minutes of order
- The ability to obtain an instant quotation via our online portal

Tokio Marine HCC's insurance companies are highly rated:



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*Underwriting this sector requires experience and a willingness to understand the business of the insured. Please talk to any of our underwriters to gain a greater understanding of our appetite for this sector.*

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## Our Coverage

Our policy complies with the coverage requirements as stipulated by the ICAEW. Cover is arranged on a civil liability basis cover which automatically provides cover for claims arising from:

**Professional negligence**

**Dishonesty**

**Loss of documents**

**Libel and slander**

**Breach of intellectual property rights**

**Breach of confidentiality.**

The limit of indemnity will be 'any one claim' with defence costs paid in addition. The excess will not normally apply to insurers' costs and expenses. This means that if a claim is successfully defended the insured will not be 'out of pocket'. We provide cover on a worldwide geographical basis as standard.

## Professional Accounting Bodies

The main professional bodies are:

- The Institute of Chartered Accountants in England and Wales (ICAEW)
- The Institute of Chartered Accountants of Scotland (ICAS)
- The Institute of Chartered Accountants in Ireland (ICAI)
- The Association of Chartered Certified Accountants (ACCA)
- The Chartered Institute of Taxation (CIOT)
- The Association of Accounting Technicians (AAT)
- The Chartered Institute of Management Accountants (CIMA).

The rules of the ICAEW can be found on their website at [www.icaew.co.uk](http://www.icaew.co.uk) but briefly they are:

- The required limit is 2.5 x that fee income subject to a minimum of £100,000
- If the fee income is £600,000 or more the minimum required limit is £1,500,000
- The maximum excess allowable is £30,000 per partner.

If you are unsure as to whether or not we will consider a risk please contact one of our underwriters.





## Claims Examples

Insurance is purchased for peace of mind and the quality of the claims handling service when it is required. This is particularly evident in the accountancy sector where an understanding of the insured's business is vital to the swift resolution of any problem. At Tokio Marine HCC we have a claims team which boasts a wealth of relevant experience.

**Personal taxation:** Failure to lodge tax returns led to client losing tax repayment and interest. **Cost £14,000.**

**Personal taxation / pensions:** Incorrect advice as regards pension payments and alleged concealment of commissions. **Cost £675,000.**

**Accountancy:** Lender sought reference for a business's mortgage. The business failed and the subsequent property sale failed to cover the loan. **Cost £180,000.**

**Trust:** Two partners were trustees to a family trust. They delegated investment authority to a company that subsequently collapsed. They also failed to minimise tax. **Cost £125,000.**

**Company tax:** A firm, acting as accountants to a profitable company, introduced their client to a tax mitigation consultancy. Schemes of tax mitigation were embarked upon that proved to be fraudulent from a tax perspective. **Cost £130,000.**

**Auditing:** Failure to spot a serious fraud due to inadequate audit procedures. The cost exceeded the limit of indemnity of **£1,000,000.**

**Investment advice:** Poor investment advice led to serious loss to a trust. **Cost £210,000.**

**Accountancy:** Confusion as to the role of an accountancy firm, whilst acting for the purchaser of a business. The purchaser thought that the accountancy firm was looking at the commercial viability of the acquisition. The firm thought that its instructions were limited to the preparation of cash flow forecasts based on given information for the purpose of raising finance. **Cost 180,000.**

**Fraud:** An employee in the firm stole clients' money. **Cost £625,000.**

**Insolvency:** Failure to realise full value of assets. **Cost £110,000.**



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## Contact Us

### London

Fitzwilliam House  
10 St. Mary Axe  
London  
EC3A 8BF  
+44 (0)20 7702  
4700  
mail@tmhcc.com

### Birmingham

30 St. Paul's Square  
Birmingham  
B3 1QJ  
+44 (0)121 345 8390  
mail@tmhcc.com

### Bristol

First Floor, Regent  
House  
27a Regent Street  
Clifton  
Bristol  
BS8 4HR  
+44 (0)117 372 7280  
mail@tmhcc.com

### Cardiff

Henstaff Court  
Conference &  
Business Centre  
Cardiff CF72 8NG  
mail@tmhcc.com

### Manchester

Suite A, 6th Floor  
Colwyn Chambers  
19 York St  
Manchester  
M2 3BA  
+44 (0)161 880 4723  
mail@tmhcc.com

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