

**INSURANCE DISTRIBUTION (PROFESSIONAL INDEMNITY INSURANCE
(LIMITS OF INDEMNITY)) INSTRUMENT 2021**

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules); and
 - (2) section 137T (General supplementary powers).
- B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 August 2021.

Amendments to the Handbook

- D. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
Prudential sourcebook for Mortgage and Home Finance firms, and Insurance Intermediaries (MIPRU)	Annex B
Interim Prudential sourcebook for Investment Businesses (IPRU(INV))	Annex C

Citation

- E. This instrument may be cited as the Insurance Distribution (Professional Indemnity Insurance (Limits of Indemnity)) Instrument 2021.

By order of the Board
22 July 2021

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text.

Amend the following definition as shown.

limit of indemnity (in *MIPRU 3* (~~Professional indemnity insurance~~), *IPRU(INV) 9.2* and *IPRU(INV) 13.1*) the sum available to indemnify a *firm* in respect of each claim made under its professional indemnity insurance.

Annex B

**Amendments to the Prudential sourcebook for Mortgage and Home Finance Firms,
and Insurance Intermediaries (MIPRU)**

In this Annex, underlining indicates new text and striking through indicates deleted text.

3 Professional indemnity insurance

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3.2 Professional indemnity insurance requirements

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Minimum limits of indemnity: insurance intermediary

- 3.2.7 R If the *firm* is an *insurance intermediary*, then the minimum *limits of indemnity* per year are:
- (1) for a single claim, ~~€1,250,000~~ €1,300,380; and
 - (2) in aggregate, the higher of:
 - (a) ~~€1,850,000~~ €1,924,560; and
 - (b) an amount equivalent to 10% of annual income (this amount being subject to a maximum of £30 million).

[**Note:** articles 10(4) and 10(5) of the *IDD*]

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TP 1 Transitional Provisions

TP 1.1

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
...
<u>6</u>	<u>MIPRU 3.2.7R</u>	<u>R</u>	<u>The new <i>limits of indemnity</i> apply to a professional indemnity policy or a comparable guarantee agreement</u>	<u>1 August 2021 to 31 July 2022</u>	<u>1 August 2021</u>

			<u>commenced, renewed or extended with effect from or after 1 August 2021. Any other existing non-annual arrangements must be aligned with the new <i>limits of indemnity</i> before 1 August 2022.</u>		
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Annex C

**Amendments to the Interim Prudential sourcebook for Investment Businesses
(IPRU(INV))**

In this Annex, underlining indicates new text and striking through indicates deleted text.

9 Financial resources requirements for an exempt CAD firm

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9.2 GENERAL REQUIREMENTS

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Initial capital and professional indemnity insurance requirements - exempt CAD firms that are also IDD insurance intermediaries

- 9.2.5 R (1) An *exempt CAD firm* that is also an *IDD insurance intermediary* must comply with the professional indemnity insurance requirements at least equal to those set out in *IPRU-INV* 9.2.4R(1)(b) (except that the minimum *limits of indemnity* are at least EUR ~~1,250,000~~ 1,300,380 for a single claim and EUR ~~1,850,000~~ 1,924,560 in aggregate) and in addition has to have:

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13 Financial Resource Requirements for Personal Investment Firms

13.1 APPLICATION, GENERAL REQUIREMENTS AND PROFESSIONAL INDEMNITY INSURANCE REQUIREMENTS

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Limits of indemnity

- 13.1.10 R If the *firm* is an *IDD insurance intermediary*, whether or not it is also an *exempt CAD firm*, the appropriate minimum *limits of indemnity* per year are no lower than:

- (1) EUR ~~1,250,000~~ 1,300,380 for a single claim against the *firm*; and
- (2) EUR ~~1,850,000~~ 1,924,560 in the aggregate.

[**Note:** articles 10(4) and 10(5) of the *IDD*]

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TP 1 Table: Transitional provisions applying to IPRU(INV)

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
...
<u>21</u>	<u>IPRU(INV) 9.2.5R and IPRU(INV) 13.1.10R</u>	<u>R</u>	<u>The new <i>limits of indemnity</i> apply to a professional indemnity policy or a comparable guarantee agreement commenced, renewed or extended with effect from or after 1 August 2021. Any other existing non-annual arrangements must be aligned with the new <i>limits of indemnity</i> before 1 August 2022.</u>	<u>1 August 2021 to 31 July 2022</u>	<u>1 August 2021</u>