<table>
<tr><td>What are the current requirements?</td><td>The TPB's PI insurance requirements require that the insurance must cover civil liability arising from any act, error, or omission in the provision of tax agent services.</td></tr>
<tr><td>What are the new requirements?</td><td>
<table>
<tr><th>Tier</th><th>Turnover of your business (excluding GST)</th><th>The minimum aggregate amount of cover* (inclusive of legal and defence costs)</th></tr>
<tr><td>1</td><td>Up to $75,000</td><td>$250,000</td></tr>
<tr><td>2</td><td>$75,001 - $500,000</td><td>$500,000</td></tr>
<tr><td>3</td><td>Over $500,000</td><td>$1,000,000</td></tr>
</table>

*Please note that what is an appropriate amount of cover for you may, in fact, be more than what is set as the minimum requirement.

Fraud/dishonesty/fidelity
The TPB recommends that tax practitioners have innocent party fraud/dishonesty cover in respect of the actions of employees or partners/directors (except sole tax practitioners).
Once a tax practitioner has undertaken a risk assessment, the TPB also recommends they consider whether they require innocent party fidelity cover for any financial loss they may suffer as a result of the actions of employees or partners/directors (except sole tax practitioners).

Run-off cover
The TPB recommends that a tax practitioner obtain run-off cover if the tax practitioner proposes to cease providing tax agent services during their period of registration.</td></tr>
<tr><td>Who does this affect?</td><td>All BAS agents require a minimum amount of cover
All BAS should assess their risk in regard to innocent party fraud/dishonesty cover
TAX Agents should assess their risk in regard to run-off cover</td></tr>
<tr><td>What are the current processes?</td><td>Excess/deductibles
You must undertake an assessment of your financial situation and ensure that the excess is not set at a level that you cannot meet.
The excess for your PI insurance cover should not exceed 4% of your turnover unless 4% of your turnover is less than $1,000, in which case the excess cannot exceed $1,000.
Insurance provider
PI insurance cover must be provided by:
an APRA approved insurer
an insurer who is not APRA approved but otherwise permitted to provide insurance in Australia under the Insurance Act 1973
an unauthorised foreign insurer if they are providing insurance in accordance with Part 2 of the Insurance Regulations 2002, or
other insurance providers as approved by us.
Retroactive cover
Your policy must provide retroactive cover. This means your new policy must cover you to the earlier of:</td></tr>
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<tr><td></td><td>the retroactive date specified in the current PI insurance policy you are renewing, or
the start date of your first PI insurance policy if you have had a series of continuous policies.</td></tr>
<tr><td>What needs to be changed?</td><td>We may need to increase the amount of PI insurance cover for BAS agent requirements. May need to include Fraud/dishonesty/fidelity</td></tr>
<tr><td>What needs to be done?</td><td><table>
<tr><td>Step 1: Assess the business</td><td>Review the business, considering any proposed changes to the business. Review the claims history (if any) and risk management procedures.</td></tr>
<tr><td>Step 2: Assess potential liability</td><td>Determine the maximum liability that has, realistically, some liability potential to arise'. The TPB suggests tax practitioners do this by making a reasonable estimate of the following factors:
the maximum exposure to any single client ('worst-case scenario' per client)
the number of claims that could arise from a single event (potential for multiple claims)
the number of claims that might be expected during the policy period.</td></tr>
<tr><td>Step 3: Approach insurers/brokers</td><td>Ask insurers or insurance brokers for a list of key policy features, insurers/brokers exclusions and available extensions (based on full disclosure of your assessment in steps 1 and 2).</td></tr>
<tr><td>Step 4: Assess the amount of cover</td><td>Consider whether the amount of cover is adequate. It should at least meet the TPB's minimum requirements set out in Table 3.</td></tr>
<tr><td>Step 5: Assess the scope of cover</td><td>Consider whether the scope of cover is adequate. It must at least meet the minimum requirements.</td></tr>
<tr><td>Step 6: Review policy terms and exclusions</td><td>Review the policy features using the questions in Table 3. Identify any exclusions and gaps in cover.</td></tr>
<tr><td>Step 7: Consider financial resources</td><td>Check that you have the financial resources to pay the excess resources, the estimated number of claims and cover any gaps and legal costs. Consider how these claims will be covered and retain records of the assessment, for example, through the capital, cash flow, overdraft, and support.</td></tr>
</table></td></tr>
<tr><td>When does this have to be done?</td><td>When renewing your BAS registration, you must demonstrate to the TPB that you have PI insurance that meets their requirements at the time of applying for renewal.</td></tr>
<tr><td>What are the penalties for non-compliance?</td><td>If an agent fails to maintain PI cover that meets the board’s requirements, the board may sanction the agent for a breach of the code under section 30-10(13) of the TASA. Depending on the circumstances, the sanctions available to the board range from cautions to suspension or termination of an agent’s registration.
(Source: www.tgb.gov.au)</td></tr>
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