

# WHAT'S NEW IN PUBLIC ACCOUNTING INSURANCE

## LIVE CHAT TRANSCRIPT

### INTRODUCTION

In 2015 the CPA Australia Professional Indemnity Insurance Scheme provides cover for members holding a limited AFS licence as well as providing you with the opportunity to add on cyber liability insurance.

Any company which holds information has an exposure and the optional cyber liability extension transfers that liability.

Cover for holders of a limited AFS licence is a standard component of the Scheme's policy.

Another new initiative available to members is the provision of tax audit insurance by CPA Australia's preferred broker and underwriters, Fenton Green and co and QBE Insurance (Australia).

Tax audit insurance provides a simple cost effective way to cover your client's expenses should they face an unexpected government audit or compliance investigation.

The experts responding to member questions were:

- Drew Fenton CPA, Managing Director, Fenton Green and co
- Kylie Moody, Manager, Professional Services, Fenton Green and co

### RESOURCES

#### Cyber liability insurance

- [Cyber liability insurance and claims examples](#)
- [Cyber liability insurance and the CPA Australia PII Scheme](#)

#### Tax audit insurance

- [Tax audit insurance overview and claim example](#)
- [Request a tax audit insurance information pack](#)

#### CPA Australia Professional Indemnity Insurance Scheme

- [CPA Australia PII Scheme fact sheets and guides](#)

- [Apply for cover under the CPA Australia PII Scheme](#)

## Insurance aspects of holding a Limited AFS licence

- [Fact sheet](#)
- [Frequently asked questions](#)

# QUESTIONS AND ANSWERS

## Cyber liability insurance

Is cyber liability insurance an independent policy or a component of a PI?

Cyber liability is offered as an endorsement to the CPA Australia Professional Indemnity Insurance Policy.

What is cyber liability insurance?

Noting the new privacy legislation, effective March 2014, and businesses' reliance on technology, the insurance industry has created cover to provide protection for both your liabilities and your own costs in responding to a loss of information and/or a computer virus attack.

This cover can be broken down into the following segments:

- third party liability
- first party hacker damage (rectification costs of your computer system, both hardware and software)
- extortion costs
- public relations costs.

Is the cover for cyber liability insurance mandatory for CPA practices?

No, this is an optional endorsement to your PI policy. We would suggest you consider your risk profile to determine whether it is appropriate to your needs. Given the climate, strong consideration should be given to this. The additional annual cost to your professional indemnity policy, inclusive of all charges, is approximately \$250.

If staff within a firm use the internet for a purpose which is not work-related e.g. reading newspapers, then the firm accidentally gets a virus, will Cyber insurance cover such damage?

The intention of the policy is to cover liabilities arising out of a hacker attack.

If, through whatever cause, a virus enters your system, this would not be deemed to be a hacker attack.

Does cyber liability insurance cover us if information is stored in the cloud on behalf of us but held by 3rd party accounting software providers?

There are no restrictions in the cover about where your data is stored.

Can we insure for a computer virus?

Not to our knowledge.

If the computer in the office does not install any anti-virus program and firewall at all, then the hacker comes in, will the Cyber insurance still cover me?

There are no conditions within the policy cover concerning the level or otherwise of your anti-virus software. Obviously, CPA Australia's position is that those who run a public practice should maintain appropriate levels of anti-virus software. You may be interested in our *IT checklist for small business* which provides guidance on the range of IT issues that you should be aware of when running a practice. This can be found at [cpaaustralia.com.au/itmanagement](http://cpaaustralia.com.au/itmanagement).

I'm a bit confused in that I would have thought that an installed virus or Trojan was a hacker attack as hackers install virus's to extract data. So this policy extension is very limiting. When would it exactly be of benefit? What is the insurer's definition of a hacker attack?

In the endorsement, hacker means anyone who specifically targets you and gains access to your website via the internet or other external electronic link, solely by electronically circumventing the security systems in place to protect against such access.

In the endorsement, virus means programmes that are secretly introduced without your permission or knowledge including but not limited to malware, worms, trojans, rootkits, spyware, dishonest adware, crimeware, and other malicious unwanted software.

To obtain a copy of the endorsement policy wording please email [dfenton@fentongreen.com.au](mailto:dfenton@fentongreen.com.au)

If a hacker comes in and steals non accounting information will the cyber insurance still cover me?

The policy coverage does not discriminate between accounting and non-accounting information.

So, if we subscribe to a system like Xero or MYOB Cloud accounting and therefore we pay to store client data within their program on their servers, does this policy cover us to assist clients in recreation of that data?

If this endorsement is triggered there is provision for cover to repair or replace the affected computer system to the same or equivalent standard and with the same contents or as near as reasonably possible.

## Tax audit insurance

Is tax audit insurance an independent policy or a component of a PI?

The tax audit insurance product is a stand-alone policy.

If my firm has tax audit insurance, exactly what costs of the client are covered? Do I get to bill them for my time on the tax audit, and then the insurance claim covers these fees?

All costs are covered. Your time in responding and those of an expert if required are covered up to the sum insured. The accountant, once the matter is resolved, sends an invoice directly to the insurer.

With tax audit insurance I assume the policy is taken out by individual clients who choose to do so?

Normal practice is that an offer is made on an individual basis to your client base. Then your client chooses whether to accept the offer.

Does Fenton Green have a flyer that we can send out to our clients detailing this type of insurance as there seems to others vying for our business? Has CPA Australia viewed and are happy with Fenton Green's policy to see it is satisfactory to CPA members offering it to our clients?

Yes, Fenton Green has material which can be supplied to you. Please contact Drew Fenton direct on [dfenton@fentongreen.com.au](mailto:dfenton@fentongreen.com.au)

This policy is endorsed by CPA Australia.

## Limited AFS licence

If we obtain a Limited AFSL is there an additional cost in adding this extension to the policy?

No. CPA Australia was instrumental in qualifying to underwriters the risk profile of holders of a limited AFS licence to the point where those who hold cover through the CPA Australia PI Insurance Scheme have no additional costs to bear. This is part of the standard cover of the CPA Australia PI Insurance Scheme.

## Professional standards legislation

How does the Professional Standards Legislation interact with separate PI cover, if at all?

For members of CPA Australia who hold a Public Practice Certificate in mainland Australia, you will be bound by CPA Australia's professional standards limitation of liability scheme.

The requirements of the liability limited scheme are that you have a compliant professional indemnity policy, as prescribed under the legislation.

Under the Scheme the current minimum level of PI cover for Certificate holders in mainland Australia is \$2m.

A fact sheet on the liability limited scheme is available at [cpaustralia.com.au/psl](http://cpaustralia.com.au/psl)

Drew would also be happy to talk with anyone who requires further assistance. He can be contacted at [dfenton@fentongreen.com.au](mailto:dfenton@fentongreen.com.au)

## Professional indemnity insurance claims

Does PI insurance under 'errors and omissions' cover the tax agent if a refund is paid incorrectly to the wrong account out of trust funds if they are unable to recover it? For example, someone's tax refund is paid to the wrong account. Is the tax agent up for the cost or does the insurance cover this?

That would be a legitimate professional indemnity insurance claim.

So it would be covered?

Yes, that's correct, subject to the terms and conditions of the policy.

## For help email

- [pii@cpaustralia.com.au](mailto:pii@cpaustralia.com.au)
- [cpa@fentongreen.com.au](mailto:cpa@fentongreen.com.au)

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