



IES – INCOME Professional Indemnity Insurance Scheme (Part 1 - Engineering Consultants Scheme) Frequently Asked Questions

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Important Disclaimer : The role of the Institution of Engineers Singapore ("IES") in the IES-INCOME Professional Indemnity Scheme is non-commercial, and acts only as a service to IES members by providing them with more options for their Professional Indemnity Insurance. Members should make their own assessment and decisions relating to their insurance requirements. The IES shall not be responsible for deficiencies (if any) in the policies. The role of Lockton Companies (Singapore) Pte Ltd is solely as Administrator in the management and claims handling of the Scheme.



A ABOUT THE SCHEME AND PARTIES INVOLVED

Q1: What is the IES-INCOME Professional Indemnity Scheme, and how does it benefit me?

The IES-INCOME Professional Indemnity Scheme ("The Scheme") is a collaboration between IES and NTUC Income Insurance Cooperative Limited, to offer a quality option to IES members for their Professional Indemnity Insurance.

There are advantages in joining the Scheme. The key ones are:

- It provides cover for legal defence costs if you are charged for a Statutory Offence;
- The Application Form is made simple to complete;
- It has a separate policy limit for each and every firm/corporation that joins the Scheme;
- It covers you for your past services in previous consulting firms/corporations;
- It is generally designed to be more competitive than your current Professional Indemnity insurance policy.

Q2: Who are Lockton Companies (Singapore) Pte Ltd?

We are the appointed Administrators of INCOME for the Scheme. We will process your application, prepare quotations, policy documents, billings, and administer claims. All communication in relation to the Scheme is handled by us.

Our Professional Indemnity Division is staffed by eight full time employees, including two ex-legal practitioners whose sole responsibility is to handle Professional Indemnity claims.

Q3: Why is this named as Part 1 of the Scheme? Is there a Part 2?

Yes, there is a Part 2 in the Scheme, however it does not apply to Engineering Consulting Firms or its employees.

Part 2 of this Scheme is designed for employees of organisations other than Engineering Consulting Firms, such as builders, statutory boards, educational institutions etc. It is meant to protect the individual engineers who are employed with organisations that may not have Professional Indemnity Insurance to protect them. Some of the advantages under Part 2 of the Scheme are:

- It is affordable to purchase, has a flat premium charge regardless of the branch specialty or work;
- Apart from protection against civil liability from third parties, there is legal defence costs for Statutory Offences against the individual for his professional engineering work;
- It is available to the individual regardless of whether he is currently registered as a PE or not (provided he has a qualification acceptable to the PE Board for registration as a PE);
- It covers his personal liability for professional engineering work undertaken when he was previously in an Engineering Consulting firm

As this circular is not meant to elaborate on Part 2 of the Scheme, please approach us if you require further information on this.



B THE POLICY COVER

Q4: What does the Scheme Policy cover?

Each policy issued to a Firm/Corporation covers it for any negligent act, error or omission and breach of statutory duty arising from the provision of Professional Engineering Services.

Q5: Is the coverage available under the Scheme Policy satisfactory? How does it compare to other Professional Indemnity Policies issued in the commercial market?

In preparing the policy wordings for this Scheme, we have taken much effort to ensure the cover is adequate. Specifically, the policy cover conforms to the requirements of Section 24 of the Professional Engineers Act, and a confirmation letter will be prepared if required.

However, whilst we have not spared any effort in ensuring you have a quality product, we urge you to make your own assessment of this product to ensure you have made the right decision in joining the Scheme as all policies have differing terms and conditions.

Q6: My current policy has some extensions attached to the main policy cover. Are these available under your Scheme?

The following extensions are given free under the Scheme:

- Defamation
- Loss of Documents
- Intellectual Property Infringement
- Joint Venture Liability
- Acquired or Created Subsidiaries
- Dishonesty of Employees
- Estate and Legal Representatives
- Subcontractors/consultants (vicariously liability)

This is over and above some other extensions as well, such as the Incoming & Outgoing practitioners and the Defence Costs for Statutory Offences, elaborated later.

Q7: Apart from being a registered Professional Engineer, I am also a registered Accredited Checker under Building & Construction Authority. Am I covered for this work as well?

Yes you are. Remember to note this down when you are completing the Application Form. Similarly, if you are an Electrical Engineer registered under Energy Market Authority, Approved Examiner registered under Ministry of Manpower, Registered Inspectors registered under FSSD of the Civil Defence Force, or a Geotechnical Specialist registered under the PE Board, do record these details within the Application Form.

Q8: We may have more Engineering Practitioners or staff joining us after the policy is in force. Does the policy cover them as well?

Yes it does, all incoming Engineering Practitioners are covered by the policy regardless of the join date once the policy is incepted, but only for their work performed on behalf of the Firm/Corporation after the date of joining the firm. Upon renewal of the Policy in the next year, these Engineering Practitioners will be entitled to the unlimited retroactive cover for their personal liability relating to their work in their previous firm/corporation.



Q9: Does the policy cover work that is done outside of Singapore?

Yes, it does. The policy has a Worldwide (excluding USA/Canada) territorial and jurisdiction limit, which means that any work done outside of the United States and Canada, and for which the legal action is commenced outside of the United States and Canada will be covered by the policy.

For the avoidance of doubt, work done for US/Canada principals on projects outside the US/Canada is covered by the policy. Similarly, work done for non-US/Canada principals on projects within the US/Canada is not covered by the policy.

Q10: We sometimes engage sub-consultants for our work? Are we covered for their work as well?

Yes you are, any vicarious liability against your firm/corporation that resulted from the work of your sub-consultants will be covered by the policy. However, the legal liability of your sub-consultants is not covered, and you should advise your sub-consultants to purchase their own professional indemnity insurance policy if they intend to be covered for their own legal liability as well.

Q11: What if the error or omission was committed by one of our staff who is not an engineer? Would we be covered?

Your firm/corporation, your principal/partners/directors as well as your employees are all covered by the policy, provided the allegation against you is related to a negligent act, error or omission or breach of statutory duty arising from the provision of Professional Engineering Services.

Q12: How about my work when I was in the previous firm/corporation? Would I be covered for that as well?

You are covered for your personal liability in relation to any work in your former engineering practice subject to policy terms and conditions. However, bear in mind that if your former firm/corporation is covered by a policy at the same time, your former firm's/corporation's policy should respond first.

Q13: In the event I retire, wind up or dissolve my firm/corporation how will I be protected?

The PI policy is a claims made policy. When the claim/allegation/circumstance is notified there must be a PI policy in force. If there is no policy in force, there is no further protection as many firms/corporations tend not to take up cover after the winding up/dissolution. This may pose a problem to the firm/corporation as claims may still arise out of work done prior to the dissolution. Hence Insurers have in place a "run-off/tail" cover to protect the firm/corporation for their past projects prior to the winding up/dissolution.

Firms/Corporations can purchase this "run-off" cover on an annual basis to ensure they are protected from any claims that may arise after dissolution. It can also be purchased for a period of 3 or 6 years. Premium in this instance would be lesser than the normal annual premium paid. It may be between 50 and 75% of the existing annual premium.



C THE STANDARD LIMITS OF INDEMNITY AND DEDUCTIBLES

Q14: What are the Limits of Indemnity available to be purchased under the Scheme?

Standard Limits of Indemnity of S\$250,000, S\$500,000, S\$1,000,000, S\$2,000,000 and S\$3,000,000 are available under the Scheme. These limits apply to each and every claim and in the aggregate for the period for the firm/corporation.

Q15: Can I choose a Limit which is customised, for example, S\$400,000?

We suggest you accept the Standard Limits offered under the Scheme. We have kept the Limits within a few options as we think that it is much simpler when the Scheme is subject to annual review. Using a custom limit may not fully enhance the premium savings available to you, and it may lengthen the quotation process.

Q16: Can I opt to request for quotations for different Limits, e.g., for both S\$250,000 and S\$500,000?

Yes you can. Just tick in the appropriate boxes in the Application Form when submitting the form to us.

Q17: Is the Policy Limit shared with other firms/corporations? For example, is there an aggregate limit to be shared with other IES members who join this Scheme?

No, the Policy Limit is not shared with any other firm or corporation. Each application for insurance under this Scheme is considered a separate insurance policy and the limit of indemnity available is only applicable to the firm/corporation listed within the policy.

Q18: What is the deductible applicable, i.e. how much do I pay in the event there is a claim?

There are three standard tiers of deductibles:

<u>Annual Fee Revenue</u>	<u>Deductible</u>
Below S\$500,000	S\$5,000 eec
S\$500,001 to below S\$1,000,000	S\$10,000 eec
S\$1,000,001 to below S\$3,000,000	S\$20,000 eec
S\$3,000,001 to below S\$5,000,000	S\$30,000 eec

Any firm/corporation exceeding S\$5,000,000 in gross fees will have their deductible separately assessed.



D DEFENCE COSTS COVER FOR STATUTORY OFFENCES

Q19: You mentioned the policy covers legal defence costs for Statutory Offences. How does it work?

Inevitably, engineering professionals may be charged for breach of a statutory offence in relation to their professional engineering work. This can happen even though the conduct was not intentional.

The policy under the Scheme will protect you, by engaging defence counsel in the event an action is brought against you to ensure you are defended.

Q20: My current policy offers cover for inquiry costs/expenses? Isn't this the same?

Cover for inquiry costs/expenses extends only to legal costs incurred by reason of an official inquiry that you are legally compelled to attend. It does not extend to cover legal costs when an offence is brought against you in court.

For the avoidance of doubt, the policy under the Scheme covers legal costs and expenses for inquiries as well.

Q21: In the event I am found guilty of offence, would the Insurer recover the costs from me?

There is no specific provision in the policy allowing the Insurer to recover the costs.

Q22: Are there any limits on this extension cover?

Yes there are. The limit available for each individual insured under the policy is S\$75,000 per claim. The total limit available for all individual insureds covered under the same policy within the year is S\$200,000. These limits are part of and not in addition to the full limit of indemnity under the policy.

Q23: Do I have to bear any deductible payment when a claim is made under this extension?

A flat deductible of S\$3,000 each and every claim is payable by an individual insured when making a claim under this extension.

Q24: Is there anything else I should know about this extension cover?

The policy only covers acts or omissions relating to your professional engineering work. It does not cover any other criminal charges brought against you. For example, if you are charged for a bribery offence in the course of your work, this is not covered by the policy.

The policy only covers statutory charges against the engineer if the charge was brought within the jurisdiction of Singapore.

This extension does not cover any fines and penalties resulting from the summons/charge that you are required to pay.



E THE APPLICATION FORM AND GETTING A QUOTATION

Q25: How do I get a quotation from you?

You need to complete and return the Application Form signed & dated to us (you can fax it back to us first if you need an urgent answer, followed by the original by post).

The short Application Form is available within the IES website for download, or alternatively you can drop an email to us and we will send you a copy.

Q26: How long does it take for you to revert with a quotation?

For most cases, we will be able to provide you an indication within the week if the Application Form is fully completed. Exceptions would be where there is a claims history, or your requested quotation is non-standard.

Q27: Traditionally, we have always applied for insurance for different firms/corporations within the same policy, as the key Principal/Partners/Directors are the same persons. Can we do the same under this Scheme?

Yes you can, provided when the numbers are aggregated within the same policy, it should not fall within our classification of a large consulting firm/corporation. For example, if you are opting to include three different entities within the same policy, the total aggregate income generated from the three entities should not exceed S\$5,000,000 in their last audited financials.

However, please note when separate firms/corporations are named within the same policy, for the purpose of the application of the terms of the policy we will deem it to apply to all the firms/corporations as if it was ONE firm/corporation. For example, if the policy limit is S\$1,000,000 each and every claim and in the aggregate, the total liability of the policy towards all the insured entities is S\$1,000,000.

Q28: Am I bound to buy the Scheme Policy once I submit an application form to you?

No you are not. We will offer a quote which you are free to accept or decline.

Q29: Who do I send the completed Application Forms to?

You can send it to the Administrators at:

Lockton Companies (Singapore) Pte Ltd
6 Raffles Quay, #19-01
Singapore 048580
(Attn: Professions & Financial Risks Division / IES-INCOME Scheme)



F THE PREMIUM

Q30: How are your premiums calculated?

The principal mechanism by which the policy premiums are to be rated upon for the small and medium sized consulting firms is the **Field of Engineering work** that the engineers engage in, e.g. Mechanical, Electrical, Civil & Structural etc, and whether the engineer is a **Registered Professional Engineer** with the PE Board. We **DO NOT** take into account any persons who are not registered PEs and who do not have a qualification that the PE Board recognizes for registration as a PE for the purpose of computation of premiums. For example, administrative staff, engineering diploma holders are not taken into account when we derive our quoted premium.

Other parameters that changes the premium is the Limit of Indemnity purchased and the Claims History of the firm/corporation.

The contracts and fee income of the firm/corporation does not affect the premium in the case of small and medium sized consulting firms. However, we will request for information on the fee income of the firm in broad categories, for the reason of determining the deductible to be applied under the policy.

Q31: Do I get a credit period for premium payment?

We do not require you to pay the policy premium immediately upon instructions to incept cover if you are Sole-Proprietor, Partnership or a Corporation. You have sixty days to pay the premium to the Administrators.

For freelance consultants, as you are an individual, General Insurance Association of Singapore (GIA) Guidelines mandate that we collect cash before cover, therefore for such cases we will need a cheque payment before the policy cover is incepted.

Q32: Who do I pay the premium to?

Cheque to be made in favour of "Lockton Companies (Singapore) Pte Ltd"



G WHO CAN QUALIFY FOR THE SCHEME

Q33: I am neither a Sole-Proprietor, Partnership or Corporation, I am generally a free-lance Engineering Consultant offering Professional Engineering Services. Can I still join this Scheme?

Yes, you can, provided you are not drawing more than S\$300,000 in last declared annual income from your consulting work solely. Please ensure you tick “Individual” within the Application Form.

Q34: My current insurance policy does not expire on 31 December. Can I join the Scheme?

Yes, you can. However, all Scheme Policies end on 31 December of each year, therefore your first policy may be shorter than the standard 12-month period. Premiums for a policy that is shorter than the standard 12-month period will be pro-rated, subject to a minimum premium of S\$270.00 (inclusive of our administration fee) + GST. Please submit your Application Form for quotation one and a half month before the expiry date of the policy to ensure adequate time for documentation.

The reason a standard expiry date is adhered to is that the Scheme is subject to annual revision and we would like all IES members who join the Scheme to enjoy any enhancements (if any) when the anniversary date arrives.

Q35: I am not an IES member. Can I join the Scheme?

In order to be eligible for the Scheme, one of the principals, partners or directors of an Engineering Consulting Firms/Corporations must be an IES member.

For freelance consultants, you must be an IES member to be eligible for the Scheme.



H SOME OTHER COMMONLY ASKED QUESTIONS

Q36: I want to join the Scheme. How long does it take for you to prepare your policy documents?

We usually send the policy documents and invoices within the week. However, if it is urgent, we can arrange for self-collection at the Administrators' office during office hours upon request.

Q37: Does the retroactive date of the policy follow the retroactive date of my current policy?

Yes it does. We require you to furnish us with a schedule indicating the current retroactive date and we will apply the same retroactive date towards the new policy. This retroactive date applies to the firm/corporation, and not towards the individual Engineering Practitioners where coverage is still unlimited.

Q38: I am concerned about your service in the event of a claim.

INCOME has been rated by "AA" Standard & Poors since 1999, the highest rating among all domestic insurers in Asia.

Lockton Companies (Singapore) Pte Ltd, the Administrators, has a dedicated and separate claims department just to handle Professional Indemnity Insurance claims, which are staffed by full time qualified ex-legal practitioners. We have a unbroken period of handling professional indemnity claims for at least the last eighteen years.

Q39: How about the lawyers engaged in the event of a claim?

We are currently working on a panel of lawyers whom we are aware and comfortable handling engineering claims. We can also consider the use of a lawyer you are more comfortable with, although INCOME does reserve the right to appoint counsel, which is more for the reason that they would prefer someone who is experienced in engineering claims.

Q40: This Scheme sounds too good to be true. Is there any catch?

There are no catches. INCOME and ourselves have spent an inordinate amount of time to design this Scheme so that it can be simpler, clearer and far more effective than any commercial insurance policy in the market. We regularly seek advice from engineering professionals like yourselves to ensure that all your concerns and needs are met. We intend to continuously review IES and your needs through regular consultation.

INCOME has also accommodated to a certain extent by the fact that the IES has partnered INCOME in respect of Union membership benefits.

Q41: How do I contact you if I have any questions?

You can reach any of the following contact persons from the Administrators for assistance:

Mr Chin Ah Faat	DID: 6326 9242	Email: ahfaat.chin@asia.lockton.com
Ms Tracy Ho	DID: 6326 9221	Email: tracy.ho@asia.lockton.com
Mr C. Nandakumar	DID: 6326 9252	Email: c.nandakumar@asia.lockton.com

Our common fax no. is **6221 1109**.