

## POLICY ON REFUNDS FOR PROFESSIONAL LIABILITY INSURANCE PREMIUMS

As administrators of the Group Professional Liability Insurance Plan for Quebec CPAs, ACPAI receives requests for premium refunds in many situations. To assist Members of the Quebec Order of CPAs in understanding what can be refunded and when the request for a refund must be made, we set out below our refund policy along with an explanation of that policy.

Quebec CPAs are asked to complete a declaration form which leads to the evaluation as to which annual premium is payable. ACPAI often receives requests for refunds either because the CPA erred in his or her initial declaration or because a relevant change occurred during the Policy Period. Similarly, ACPAI charges additional premiums if a member's status changes in a manner that increases the risk.

### Our Refund Policy is:

*You must choose the category of members for purposes of premium determination based on your situation as at the date of inception of the Policy Period you are applying for.*

*If, by mistake, you choose an incorrect category, please note that a refund will only be processed if the request is received within the Policy Period. Premiums cannot be refunded retroactively.*

*If your status changes after the Policy Period begins, you must advise ACPAI promptly. An increase in premium may be charged, but no refunds will be offered.*

*If there are new Members who purchase this Policy for the first time after April 1, they will be charged a pro-rated premium, subject to a minimum of \$60.*

The explanation for these policies and an example of each follows:

### *Self-assessment errors*

Requests for refunds on the basis of errors made in the declaration form with respect to the member's situation **as at the inception date of the Insurance Policy being applied for** will only be entertained if made **before the expiry of the Policy Period in question**. If we are satisfied that the error was made as at the inception date (and this is not simply a mid-term change) the over-paid premium will be refunded. Premiums cannot be refunded retroactively.

For example, a member completes the declaration form incorrectly such that she/he identifies himself/herself as being in a category that requires payment of a \$1750 premium. She/he realizes afterwards that in fact, **as at the inception date of the policy in question**, she/he was actually in a different category which would have required a premium of only \$60.

In such a case, our refund policy is to determine whether this was in fact an error at the inception date or a mid-term change. If the former, we will refund the over-paid premium, but **on condition that the request is made within the Policy Period that the error affected**. This is important, because the identity and share of risk undertaken by the Insurers on our program may change from year to year.

We urge members to recall that when completing the declaration form for the upcoming policy renewal that they are to select the category that best describes their situation as at April 1. If you have any questions as to which category is correct, please call ACPAI at 1 800 267-4734 for assistance.

## Refund Policy continued

### *Mid-term changes*

No refunds are available for mid-term changes in category of a CPA.

For example, a member is a partner of a firm which provides services to the public as at April 1 and correctly completes the declaration form on that basis. However, on June 30 he leaves the firm to work at a former client. He may provide some services to family members, but the value of those services (independently of whether he invoices his family members or not) will be less than \$10,000 annually.

No refund will be available for the remainder of the Policy Period if the value of services already rendered has exceeded \$10,000.

In this case, the Insurance Policy remains exactly the same. The risk that the Insurers assessed in determining the premium to charge for a **claims-made policy** includes a large component of past acts: the likelihood is that if the CPA in the above example is sued between June 30 (date of change of status) and March 31 (end of Policy Period), that suit will arise out of his/her work performed at the firm she/he left on June 30. The Insurance Policy provided to members of the Quebec Order is personal, and as a result, these past acts continue to be covered. The risk has therefore not changed sufficiently to warrant a refund. However, starting at the next policy anniversary, the insurers will allow this member to pay the premium associated with his/her new status even though the risk is the same. Insurers have taken into account the fact that the members are part of a compulsory group plan of insurance.

ACPAI will continue to charge an increased premium if the member's status changes from a lower to higher category of premium as

permitted by law. That member continues to be at risk for past acts, which will remain covered, but as a result of this change now presents a significantly increased risk. For example, a member who anticipated providing services of less than \$10,000 in the year wins a new mandate a few months later for services worth \$30,000. His/her situation is not different from that of another member who had estimated annual billings of \$30,000 on April 1.

Please note that this does not apply in the case of individuals who cease to be a member of the Order during a Policy Period – in that case, a free extended period is added to the last Policy they purchased. (Please see Chapter V of your Insurance Policy for more information.)

### *New members*

Pro-rated premiums are charged for new members but a premium will never be less than \$60.

New members are welcomed into the Quebec Order of CPAs throughout the year. We therefore charge them a pro-rated premium in their first year. However, to offset administrative costs, the minimum premium is \$60.

### **For further information:**

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