

FEE INSURE & FEE INSURE PLUS

PRODUCT BRIEFING

IMPORTANT NOTICE.

Our website is www.feeinsure.com.au

This Product Briefing is provided as a general overview. As with all matters insurance, final reference should be made to the Policy Document (noting the scope of cover provided, the definitions and the policy terms and conditions etc.) available via this website. If any aspect of the Policy Document is unclear, please communicate with Underwriting Australia Pty Ltd, whose contact details can be found at the bottom of this briefing.

QBE Insurance (Australia) Limited is the security for this product.

About 'Fee Insure'

There are 2 options.

Option 1 – 'Returns only' cover. Covers external professional fees incurred by an insured party to respond to or defend against any inquiry, examination, investigation, review or audit ('audit'), undertaken by a State or Commonwealth Government agency that administers any form of tax, duty, superannuation or workers compensation of a previously lodged return, legally required to be lodged for the financial year(s) insured.

Put another way, once a financial year is insured, all relevant returns that relate to that financial year are covered, irrespective of these returns being lodged during or after the end of the financial year.

Note that there's a policy exclusion that denies claims where returns are lodged more than two (2) months outside of the relevant prescribed lodgement dates.

With respect to financial year(s), the insured has the option, when initially taking the cover, to insure the current financial year (refer Table 1 premiums); the current and previous financial year (Table 2); the current and two previous financial years (Table 3); and the current and three previous financial years (Table 4).

Where an insured selects Table 2, 3 or 4, these are 'one-off' with the premium reverting to Table 1 at the next renewal.

Fee Insure is available for Individuals, Self Employed and Business Entities.

The statutory returns can be lodged by the insured or their adviser (typically an accountancy firm or tax agent) with any Australian government agency and includes returns such as income tax; fringe benefits tax; capital gains tax; goods & services tax; payroll tax; stamp duty; wholesales tax; withholding tax; workers compensation; superannuation surcharge levy; super funds; company returns; customs, gaming and racing; sales tax; trust accounts; fuel rebate; prescribed payments; reportable payments; and any other types of returns legally required to be lodged with a government agency in Australia.

The policy doesn't cover industry compliance type audits, i.e., audits undertaken by a government agency that involves reviewing an industry participant's compliance to retain their operating license, registration, membership etc., as these are viewed as part of the 'commercial' costs of operating a particular business.

There is no policy excess or sub-limits.

Option 2 – 'Returns and Compliance' cover. This covers that outlined in Option 1. above, plus where a State or Commonwealth Government agency that administers any form of tax, duty, superannuation or workers compensation undertakes a Compliance Audit to ensure the Insured party is compliant with relevant legislation.

An example is where a business is currently not registered for; nor lodging returns; nor paying Payroll Tax in the belief they don't need to. The Office of State Revenue undertakes a random Compliance Audit to ensure this indeed is the case.

About 'Fee Insure Plus'

Covers external professional Fees incurred by an insured party to respond to or defend (A) as per Fee Insure above and (B) any legal proceedings taken against the insured party, that are of a 'commercial' nature.

This cover is ONLY available for Self Employed and Business Entities, as the policy does not provide any cover with respect to legal proceedings that are of a personal or domestic nature.

With legal fees claims, the insured shares the costs to 25% of the claim being made and is subject to a minimum amount of \$500.

Policy format

The policy is basically structured into 3 sections – 'General', 'Audit Fees' and 'Legal Fees'.

'Audit Fees' is underwritten on a 'claims occurrence' basis i.e., once a financial year is insured, that financial year is insured for 'life'. This means that any audits notified in subsequent years, on previously lodged returns, will be covered, if the specific financial year(s) they relate to, are insured.

If the insured fails to subsequently renew the policy, those previous financial years insured, remained covered.

(The financial year for most taxpayers in Australia is 1st July to 30th June . The Fee Insure & Fee Insure Plus policies have a period of insurance that aligns with these financial years and thus, a common due date of 1st July . If a taxpayer has a different financial year, the period of insurance adjusts accordingly.)

'Legal Fees' is underwritten on a 'claims made' basis i.e., if during the period of insurance the insured is first advised of a legal proceeding against them for an event that occurred at anytime in the past, then the event is insured, subject to the policy coverage, terms and conditions.

Under this format, if the insured fails to subsequently renew the policy, then there is no cover for past activities.

Period of insurance

As explained above, the period of insurance is aligned with the insured's financial year.

Where a company has a 'substituted' financial year, then this becomes the period of insurance.

Irrespective of when the insured signs up during the current financial year, the period of insurance automatically attaches from the start date of the current financial year.

This also means that the premiums as shown are payable in full, irrespective of when the cover is taken up.

Insurance options

For **Fee Insure**, three options apply.

Individual – covers professional fees per annum for the nominated Individual, their spouse/partner and any passive trusts or personal super funds.

Self Employed (means no employees) – covers professional fees per annum for the trading entity in whatever name it may be; the nominated owner; their spouse/partner; and any passive trusts or super funds.

Business – covers professional fees per annum for all operating entities within the same common majority ownership structure and any trusts or super funds.

(NOTE. If covering a business entity and any owners or others connected with the business, these individuals will need to insure under the Individual, if they require cover for their own personal returns. Business is purely for the business entities.)

For **Fee Insure Plus**, three options apply, however, as stated above, Legal Fees cover doesn't apply to Individuals.

The 'limit of liability' selected means that the same 'limit of liability' applies to each of Audit Fees and Legal Fees, i.e., if (say) \$15,000 selected then the insured is covered for \$15,000 Audit Fees and \$15,000 Legal Fees.

In the event that the 'limit of liability' is exhausted by a claim under one section (say the Audit Fees), then the 'limit of liability' under the Legal Fees isn't available to meet the remaining uninsured costs.

Individual – covers professional fees per annum for the nominated Individual, their spouse/partner and any passive trusts or personal super funds.

Self Employed (means no employees) – covers professional fees per annum for each of (A) Audit Fees and (B) Legal Fees for the trading entity in whatever name it may be; the nominated owner; their spouse/partner; and any passive trusts or super funds.

Business – covers professional fees per annum for each of (A) Audit Fees and (B) Legal Fees for all operating entities within the same common majority ownership structure and any trusts or super funds.

(NOTE. If covering a business entity and any owners or others connected with the business, these individuals will need to insure under Individual' if they require cover for their personal returns. Business is purely for the business entities.)

Business turnover and sum insured limits

With respect to business entities, we can cover up to \$50 million turnover, anyone entity.

Business entities have the choice of:

- separately listing and selecting their own 'limit of liability' and pay the relevant premium, based on turnover, or
- group together and share the same 'limit of liability' and pay the relevant premium based on combined turnover, or
- a mix and match into several groupings to share different 'limits of liability'.

Where a number of trading entities are insured, the main concern should that, if sharing a 'limit of liability', anyone of the entities may substantially reduce or completely exhaust the 'limit of liability', thus leaving the other entities with reduced cover or no cover at all.

Premium Tables

Please refer to the relevant web pages.

Premiums are tax deductible.

Policy Exclusions

The main exclusion areas relate to circumstances known prior to entering into the insurance cover; fraud; returns where unsupported, deliberately non disclosed information or grossly misrepresented deductions have been included; returns lodged outside of the prescribed dates; and any amended assessments, fines or penalties.

The Policy Document can be downloaded from the website.

Claims

For **Audit Fee** claims, once an advice of an audit is received, please complete a Claims Advice form (available from the website) and fax/mail with a copy of the advice to the contact detailed on the form.

The professional proceeds to assist the insured, without monitoring or having to receive prior approval to undertake activities. Our attitude is that the insured has purchased the insurance cover and the professional is accountable to their client to justify their level of fees.

Via detailed WIPs, the insurer will also assess to ensure relevant resources have been utilised to manage the audit and that costs are relevant, fair and reasonable.

Once the 'limit of liability' is exhausted for a particular financial year, the insured is self insured for possible future audits that relate to that financial year.

At the completion of the audit or investigation, the client must sign the Tax Invoice to attest that the relevant tasks were undertaken by the professional concerned and submit along with a copy of the 'work/time' sheets that support the amount being claimed and the final letter from the relevant government agency advising that the audit has been completed.

Some audits can take months to complete, so progress payments can be sought. However, the amount must be of reasonable value plus the insurer will pay conditional on the amount being refunded, should the claim be subsequently denied due to the emergence of information that would trigger a policy exclusion.

For **Legal Fee** claims, once advice of a legal proceeding is received, please complete a Claims Advice form (available from the website) and fax/mail with a copy of the advice. If you have received a writ, a copy should also be supplied.

The matter will be immediately communicated to the insurer seeking their direction on how the matter should proceed.

Professional fees are paid to the relevant professional on the basis of 75% by the insurer and 25% by the insured with the minimum insured contribution being \$500.

Contact details

Underwriting Australia Pty Ltd

(ABN 50 087 225 661) (AFSL 322536)

Office: 10 Burwood Road, Concord NSW 2137

Postal: PO Box 432 Concord West NSW 2138

P: 1300 595615 **E:** team@underwriting.com.au