Professional Indemnity Insurance
Frequently Asked Questions ("FAQ")
Updated as at July 2025

Background

This FAQ is written for the benefit of former appointed representatives ("**ARs**") of TenetConnect Limited (in administration) (**"TCL"**) and TenetConnect Services Limited (in administration) (**"TCSL"**) (together **"TenetConnect"**) to provide an update in respect of professional indemnity insurance (**"PII"**) cover.

TCL and TCSL entered administration on 5 June 2024. Ed Boyle and Rob Spence were appointed as joint administrators of each company. Ed Boyle, Rob Spence and Howard Smith were also appointed as joint administrators of Tenet Group Limited (in administration) (**"TGL"**), the ultimate parent company of TCL and TCSL on 5 June 2024. Ed, Rob and Howard are together the "Joint Administrators".

Following the appointments, the Joint Administrators notified Paragon Insurance Company (Guernsey) Limited (**"Paragon"**), the primary insurer of the professional indemnity insurance policy in respect of which TGL and TenetConnect benefits (the "**PII Policy**") that TGL is unable to pay the outstanding balance of the annual PII premium due and payable under the PII Policy.

Due to the non-payment by TGL of the full annual premium due under the PII Policy, Paragon served TGL with a Notice of Cancellation. The Notice of Cancellation took effect on 15 August 2024 and has the effect that the PII Policy will be cancelled from inception, i.e. 1 October 2023.

We had previously issued an FAQ document on 29 July 2024 (**"Original FAQ"**) that set out our understanding of the position at that date, however, following the PII Policy cancellation, the Joint Administrators of TCL and TCSL have received legal advice from Leading Counsel that changes the position previously stated in the Original FAQ, the Joint Administrators then issued an updated FAQ document in November 2024 ("the Second FAQ").

Following further legal advice being received, the Joint Administrators have now updated the FAQs further. All updates are provided in red.

The purpose of this document is to update and correct any previous statements made. The original wording and the revised wording are set out herein for ease of comparison.

The cancellation of the PII Policy has several implications, therefore we have produced this FAQ document to try and explain the impact this may have on former ARs of TenetConnect.

1. Who is responsible for the advice that was covered by the PII Policy?

1.1 To undertake regulated financial advice in the United Kingdom, one must be authorised by the FCA or be exempt from the General Prohibition set out at Ch3, Part 2, Section 19 Financial Services and Markets Act 2000 (“FSMA”).

1.2 TenetConnect is authorised and regulated by the FCA with a Part 4A permission under FSMA and appointed its ARs under Ch3, Part 3, Section 39 FSMA.

1.3 ARs are not authorised by the FCA. Rather, ARs are exempt from the General Prohibition as a consequence of being authorised by their principal, i.e. TenetConnect, to undertake regulated financial advice. This approach is permitted where TenetConnect takes responsibility for the advice that each AR undertakes pursuant to the rules set out in section 39 of FSMA.

1.4 Consequently, TenetConnect is responsible to the customer and the FCA for the activities that it has appointed and authorised an AR to undertake as its agent under the terms of the Appointed Representative Agreement.

1.5 However, through the Appointed Representative Agreement that was in place between TenetConnect and its ARs, the AR is liable to indemnify TenetConnect and/or its insurers (via their rights of subrogation) for any losses that TenetConnect incurs because of the AR’s advice.

2. Why did I need Run-off cover?

2.1 The PII Policy insured the activities of each AR whilst they remained authorised as an AR of TenetConnect. This meant that should a claim arise in respect of business undertaken by an AR in its capacity as an AR of TenetConnect, TenetConnect would pay the loss to the customer, recover that loss from the insurer, less the excess payable under the PII Policy, and the relevant AR would be liable to indemnify TenetConnect against its loss, i.e. the excess, under the AR’s contractual indemnity in the Appointed Representative Agreement.

2.2 When an AR left TenetConnect, the AR ceased to benefit from cover under the PII Policy in respect of any advice/claims unless that AR had purchased run-off cover.

2.3 Where a claim arose against an Ex-AR of TenetConnect who did not have run off cover, TenetConnect would pay the customer and then recover its loss from the insurer (Paragon) (minus the applicable excess). You would be liable to pay the excess to TenetConnect. In addition, you would also be liable to reimburse Paragon for the loss it had incurred, so overall you would be 100% liable for all loss.

3. What happens to claims/complaints when a regulated company is in administration?

3.1 The advice that you were authorised to undertake as an AR of TenetConnect was FCA regulated advice. The Financial Services Compensation Scheme (“FSCS”) was set up to compensate individuals where it is likely that *relevant persons*, e.g. FCA authorised firms such as TenetConnect, are unable to satisfy a claim made against them in respect of regulated financial advice.

3.2 Due to TenetConnect being placed into administration, customers who received regulated advice from an AR of TenetConnect are likely to be eligible to make a claim for compensation from the FSCS.

3.3 Should a customer make a claim against TenetConnect directly, this matter will not be investigated by TenetConnect and the customer will be provided with information on making a claim to the FSCS.

3.4 The appointment of administrators to TenetConnect also places an immediate and lasting moratorium on any legal claims being issued against it during the period of the administration.

4. Has the FSCS started accepting claims in respect of TenetConnect?

4.1 The FSCS provides updates on its website regarding the status of claims it is accepting regarding TenetConnect. Please follow the link below for the latest updates:

https://www.fscs.org.uk/making-a-claim/failed-firms/tenetconnect/

4.2 As described by the FSCS on their website, the Joint Administrators are working with the FSCS to provide any information they have requested.

5. I have paid a premium for the 2023/24 policy year – do I get a refund?

5.1 If you have paid a premium for PII cover to TenetConnect for the 2023/24 policy year from 1 October 2023 to 30 September 2024, this will form part of your unsecured claim against TenetConnect or shall reduce any amount that you owe to TenetConnect (save for the exception in 6.2 below).

Nov-24 UPDATE – Leading Counsel has advised the Joint Administrators that there is no contractual right to a refund of the PII premium paid, therefore we are unable to credit to your account any premiums paid relating to the 2023/24 policy year.

Despite the PII policy being terminated, we remind you that the pro rata premium you paid for the period you remained authorised with TenetConnect in the 2023/24 policy period (up to 31 March 2024) provided you with full insurance cover for any claims made in that pro rata policy year, therefore you did obtain the benefit of cover under the policy in consideration for the fee paid.

5.2 As a result, if Paragon has made a payment in respect of a claim made in the 2023/24 policy year, then it shall not seek a reimbursement of that payment from TenetConnect.

6. What about claims in prior policy years?

6.1 As is market standard for professional indemnity insurance, the PII Policy purchased was underwritten on a “claims made” basis, therefore it indemnified the insured against any claim notified to the insurer during the term of the PII Policy, irrespective of when the advice giving rise to the claim was given.

6.2 The 2023/24 policy cancellation does not impact on claims notified to insurers in previous policy years.

7. I have purchased run-off cover, is that still valid?

7.1 As explained in section 2.2 above, run-off cover was introduced so that former ARs would continue to benefit from insurance cover in respect of claims that TenetConnect would be liable to pay to customers and recover its losses from its insurer. Run off cover essentially provided a contractual "block" against the insurer enforcing its rights of subrogation against former ARs.

7.2 The PII Policy was an annual policy, therefore whilst run-off was purchased by former ARs for a single premium, it remained subject to the annual policy being renewed by TGL and TenetConnect.

7.3 Due to the cancellation of the PII Policy in the 2023/24 policy year as a result of non-payment of the premium by TGL, former ARs have ceased to benefit from run off cover which terminated on termination of the 2023/24 PII Policy, as described in the introduction.

7.4 When run-off cover was introduced in 2013 it was labelled as "Lifetime Runoff Cover". As set out in the FAQs provided at the time (see Appendix 1), this cover would cease if TenetConnect itself ceases to trade or exist.

8. Do I get a refund of the run-off premium I have paid?

We are currently obtaining legal advice regarding the status of those funds in the context of the administrations and how they should properly be dealt with.

Nov-24 UPDATE - Leading Counsel has advised that ARs have no legal right to a credit to their account of any run-off premiums paid by them.

9. I had a Run Off Discount, do I get that back?

9.1 The funds are held in a separate bank account, and we are currently obtaining legal advice regarding the status of those funds in the context of the administrations and how they should properly be dealt with. A further update on this will be provided in due course.

9.2 Nov-24 UPDATE – We have taken advice from Leading Counsel who has confirmed that these funds are not part of the administration estate. Consequently the funds will not appear on the statements that we will begin to issue to ARs shortly. We will provide a further update on the status of these funds in the coming weeks, following receipt of further legal advice.

9.3 July-25 UPDATE – All ARs of TCL and TCSL were required to pay an annual fee in respect of the apportioned Professional Indemnity Insurance premium incurred by TCL and TCSL and applicable to that AR. Part of the annual fee payable was set aside by TCL and TCSL to build a fund that would amount to a discount against the cost the AR needed to pay to obtain run off cover should they wish to purchase it when they left the network (the **"Run off Discount"**). For the avoidance of doubt, there was no additional cost to ARs in accruing the discount. The accrued funds were held by

Paragon in a separate bank account. At the date of administration of TCL and TCSL, the account was comprised solely of funds relating to former ARs who had not purchased run-off cover when they left the network.

9.4 Following initial advice from Leading Counsel being received, further relevant documents were identified. Leading Counsel has advised the Joint Administrators that the accrued funds in the Paragon bank account are payable to TCL and TCSL.

9.5 Leading Counsel has further advised that former ARs do not have an unsecured creditor claim in relation to the Run Off Discount. We previously issued statements to former ARs advising them of their account balance as at 5 June 2024 based on the records of TCL. These statements did not include any amounts in relation to Run Off Discount and therefore no adjustments are required as a result of Leading Counsel's advice.

9.6 For the avoidance of any doubt, the advice provided by Leading Counsel is legally privileged and such privilege is not waived by the Joint Administrators.

10. <u>I have an enquiry to the above, who can I contact to get further information?</u>

We have a team available on 0113 2390011 or payment.services@tenet.co.uk to respond to ARs' queries.

Appendix 1 – FAQs provided from 1 September 2013

TENET

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Tenet's 'Life Time'
Run off Cover Solution

Introduction

Tenet and Paragon Insurance Company are to provide an innovative and unique solution to the problem of continuing liability, that the Network and its Members share. The Network has to fund the claims of ex members, via its own profits. Members leave with an open ended liability, with no way of drawing a line under this exposure; seen by many as a barrier to retirement and post Network 'peace of mind'.

In order to stabilize the Network's risk profile, for the benefit of all Members, and provide a valuable insurance and retirement planning tool for our Members, the 'life time' run off scheme and Annual Contribution plan comes in to effect on the1 October 2013.

How does it work?

Quite simply, the Network, and its insurers, will keep Members, who have paid the required premium, insured under the Network's insurance programme indefinitely, or for as long as the Network still buys insurance; which is, of course, a regulatory requirement.

When do I pay?

Annually
All current Members will be asked to pay an Annual Contribution towards the cost of providing this cover. The amount of Annual Contributions paid by each Member will then be matched by a discount from insurers and applied to your final Exit Premium

Upon Exit
At the time of resignation Members will receive a quotation confirming the final run off premium. This premium will have a discount applied, equivalent to the Annual Contributions already paid to the Network.

How will I keep Track of Discounts and Final Premium?

Around the 1st October each year, and as part of the renewal process, we will advise you of the calculated Exit Premium for run off in that policy year. The amount of discount applied will be clearly shown alongside the Payable Exit Premium.

What are the Terms and Conditions?

The terms and conditions that apply are the same terms and conditions applicable to Current Members of the Network. Any changes at renewal, will be made available by the Network's insurance broker, Marsh UK.

How will you reward me for having no complaints?

We will use your complaints history to assign a risk grade to each Member at exit:

Lower Risk	No upheld complaints in 5 years
Standard Risk	1 to 3 upheld complaints in 5 years
Higher Risk	More than 4 upheld complaints in 5 years

What will I pay?

Annually

The Annual Contributions will equate to 1% of the 12 months turnover to 31st July of each applicable year.

Upon Exit

Average Annual PI

The Exit Premium is calculated by applying a multiplier to an annual premium to create a multi-year premium. We recalculate your annual premium using the same methods as your current PI charge, however, we use an average of the past 3 complete years to get a more stable picture of your businesses past exposure.

Exit Premium

Depending upon your complaints history, we will then multiply your 'recalculated average premium' by 225% -300%. This is an industry standard method for calculating 6 year run off policies (*We don't limit cover for 6 years though)*.

Payable Exit premium

The result of the above calculation is your 'Exit Premium'. Insurers then apply a discount which is equal to the Annual Contributions you have already paid to the Network.

This is your Payable Exit Premium, which you must pay to enjoy the peace of mind of 'life time' insurance cover. If you don't pay this premium then you will **not** have any cover. If you then had a complaint you would be personally liable; and would not comply with Network exit requirements.

Example: Lifetime IFA Ltd

1
- Lifetime IFA Ltd has an Average Turnover over the past 3 year years of £100,000
- 'Recalculated Premium' of £3,000

2
- Lifetime IFA Ltd has had 2 upheld complaints in 5 years = 'standard risk'
- A multiplier of 250% is used to calculate an Exit Premium of **£7,500**
- **(£3,000 X 250% = £7,500)**

3
- Lifetime IFA Ltd has paid 2 years, of Annual Contributions to the Network of **£2,000**
- This is matched by a discount from the exit premium.
- **(£7,500- £2,000 = £5,500)**

4
- In order for Lifetime IFA Ltd to have continuous insurance cover they will need to pay
- **Payable Exit Premium of £5,500**

5
- Lifetime IFA Ltd pay the £5,500 premium = Lifetime continuous cover
- Lifetime IFA Ltd **dont** pay the £5,500 premium = No cover & permanent liability

Risk based examples:

Low Risk

If Lifetime IFA Ltd had no upheld complaints in 5 then the multiplier equals 225%
Premium equals: £6,750 - £2,000 = £4,750 exit premium (saving of £750)

High Risk

If Lifetime IFA Ltd had more than 4 upheld complaints in 5 then the multiplier equals 300%
Premium equals: £9,000 - £2,000 = £7,000 exit premium (cost of £1,500)

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Run Off FAQs
October 2013

Introduction

At the end of June we notified all members that we were going to introduce a PII run off cover savings scheme.

With effect from the 1st October this has been introduced with the following FAQ designed to answer any queries you may have.

The introduction of the scheme means that a designated portion of the member's annual premium each year will be used to save towards the cost of purchasing run off cover.

This premium has been set at 1% of annual turnover and will be clearly earmarked to purchase future run off cover.

The good news is that despite tough market conditions we have been successful in renewing this year's policy at the same rate as last year but inclusive of the run off savings scheme element.

This is a valuable benefit and means that most member firms will have covered the cost of run off in 6-7 years by way of accumulated discounts.

At the point where the discounts equal the cost of run off insurance we will then be able to reduce your annual premium by 1%.

1. Why have you introduced this run off scheme?

We first introduced voluntary run off cover in October 2012, to respond to the ever present problem of the lack of a 'Long-Stop'. Without this IFAs remain personally liable indefinitely and without peace of mind.

The lack of a Long-Stop also prevents the commercial insurance market offering 6 year extensions under IFA PI policies as they do in other professions.

In order to address this Tenet, using its insurance subsidiary Paragon, created the concept of continuous insurance which is called lifetime run off.

Over the past 12 months this cover has proved popular with substantial take up. However, whilst the exit premiums were good value for money the new saving scheme means members can now save towards this protection rather than being faced with a large bill at retirement /exit.

By designating an element of the annual premium to provide a discount to the cost of run off, we are recognising premiums paid whilst a Network member and rewarding members who have been with the Network with reduced cost run off insurance.

2. Is this an extra Cost?

No, this is not an extra 1% charge; it is recognition of an element of the existing charge towards the cost of future of insurance.

The standard PI charge overall has not changed this year, however, within the rate is included a future discount towards run off insurance cover. This is a real and valuable additional benefit which enhances the value of the premium spend.

3. Where are the Annual Contributions held?

The annual contributions are part of the main premium. The amounts relating to the run off discount are pooled in a segregated account for the purpose of covering the cost of the discount in future years.

4. What happens when I leave?

When a member leaves there are two options:

A. Pay the Balance of the run off premium, and remain insured indefinitely, with the peace of mind that the insured is included within all future Network policies.

B. Do not pay the balance of the premium. In this case the discount earned will be offset against any future claims above the usual excess. In the event that a claim or claims exceed the discount earned, member principals will remain personally liable.

5. What happens if Tenet goes into liquidation before I leave?

The amounts used to cover the future cost insurance are pooled in a segregated fund. In the event of liquidation and it is not possible to provide option A or B (above), then the funds would be distributed to members pro rata to the amount paid.

6. What if Tenet ceases trading after I have taken out Run Off cover?

The commitment to provide run off insurance is delivered by continuing to include those members who have paid the applicable run off premium as an insured under the Network's PI policy.

If the Network were to cease being in existence, then clearly there would be no PI policy and no cover for any ex members. However, the majority of the exposure would also have subsided. If a complaint is made against a Member Firm, the Network, as Principal, has the liability and responsibility to investigate and compensate. This is true for current or ex members.

The Network and specifically their insurers actively seek recovery of all loss from ex members, using the rights to seek recovery form a third party, and the Networks contract of indemnity within the AR agreement.

In the event that the network is no longer in existence then the claims would go to the FSCS. There would be no Network or insurers to pursue claims against the ex-member. The majority of the ex-members exposure would die with the Network.

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7. I have never had a complaint?

The risk of getting a complaint is real and present for all firms, no matter how good their existing compliance record or complaint history is.

Of all the firms within the Network that had a complaint against them in the past 5 years, 42% or just under half, only had one complaint in that period; with that complaint being their first.

With the activities of claim management companies increasing, and FOS complaints figures increasing the likelihood of a complaint arising for all firms remains high. The Complaints history is also taken into account when calculating the final run off premium.

8. How will I keep track of the discount earned and the cost of run off cover?

Each year we will calculate each firm's final Run Off premium. We will send notification confirming the cost of Run Off if a firm were to leave in the current policy year.

This will show the total of Annual Discounts earned to date. The amount payable will be the difference between the Run Off quote and the Total Annual Discounts.

9. Will my PI premium reduce when I have paid up?

Yes. Members will not pay more in annual contributions than your calculated run off premium.

We estimate that most firms, assuming their business is stable, will reach this point in 6-7 years. If business grows and the gap between discounts and premium starts to exceed 1% then this element of the charge will be reinstated.

10. What if the cost of run off cover reduces?

The premiums charged for run off insurance are based upon standard industry calculations for professional indemnity insurance. The cover provided is continuous and not limited for 6 years.

If premiums were to reduce then this is likely to be as a result of a reduction in turnover. However, the discount earned is based upon previous years turnover for which an exposure still remains.

Members will therefore benefit from a reduction in run off premium by having tho potential for no additional premium, and also a reduction in future PI costs as they will have 'fully paid up'

11. Who is Paragon Insurance Company?

Paragon are the group owned captive insurance company. Paragon is authorised and regulated by the Guernsey Financial Service Commission. Marsh Management Services, part of the global risk and insurance brand Marsh and Maclennan, manages the administration of Paragon.

Although Paragon is ultimately owned by Tenet Group, it operates with an independent board of directors, as an independent regulated entity. It only insures members of the Tenet Network; apart from that it operates as any other insurer would.

Paragon insurance Company only forms part of the Professional Indemnity programme. The majority of commercial insurers in the market also underwrite the Professional Indemnity insurance for Tenet Group.

12. What are the Terms and Conditions/ excess of the Run off Cover?

The terms and conditions that apply are the same terms and conditions applicable to Current Members of the Network. Any changes will be made available by the Networks insurance broker, Marsh UK.

The excess for ex members under the run off scheme is currently £5,000, being the same level that any member who left prior to 30 September 2013 would have been used to.

13. I am not retiring for many years why am I paying for Run Off Now?

Firstly members are not paying any extra for run off cover now; it is an included benefit within the main premium that you will earn a discount equivalent to 1% of turnover.

It is difficult for the Network or a Member Firm to be certain how long they will be with the Network. Some may decide to sell their businesses or transfer elsewhere.

After about 6-7 years, most members will have paid the majority of this cost and will have low exit premiums; reducing the financial cost of exiting.

By ensuring that all member Firms are reducing the cost of their run off cover now, we can stabilize and reduce the cost of PI for the entire network in future years.

14. Can I have a reduction in premium if I don't want to save towards the run off cover?

No. It is mandatory that all Member Firms participate in the Group insurance programme; which includes the run off discount as an additional benefit. We have held PI premiums flat this year, despite the increased cost of purchase.

In order to maximize the value of PI we have been able to allocate a percentage of the current PI charge to the future cost of buying run off. This means that on a like-for-like basis Members are paying the same rate, and also reducing the cost of run off premium in future years at no additional cost.

15. How will you reward me for having no complaints?

We will use the complaints history to assign a risk grade to each Member at exit:

Lower Risk	No upheld complaints in 5 years
Standard Risk	1 to 3 upheld complaints in 5 years
Higher Risk	More than 4 upheld complaints in 5 years

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16. What will I pay?

Annually

Within the annual premium we will allocate 1% of the 12 months turnover to 31st July of each applicable year, towards a future discount on run off insurance.

Upon Exit

Average Annual PI

The Exit Premium is calculated by applying a multiplier to an annual premium to create a multi-year premium. We recalculate your annual premium using the same methods as the current PI charge, however, we use an average of the past 3 complete years to get a more stable picture of a business's past exposure.

Exit Premium

Depending upon the complaints history, we will then multiply the 'recalculated average premium' by 225% -300%. This is an industry standard method for calculating 6 year run off policies (*We don't limit cover for 6 years though)*.

Payable Exit premium

The result of the above calculation is the 'Exit Premium'. Insurers then apply a discount which is equal to the Annual Contributions already paid to the Network.

This is the Payable Exit Premium, which must be paid to enjoy the peace of mind of 'life time' insurance cover. If this is not paid there will be no cover. The amount of the discount earned will be offset against any future claims above the usual excess level. Any future complaints t that exceeded this amount would be recoverable from the ex-Member.

Example: Lifetime IFA Ltd

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- Lifetime IFA Ltd **dont** pay the £5,500 premium = No cover & permanent liability
- Discount of £2,000 used to cover claims above the usual excess
- No liabilty for losses within discount earned

Risk based examples:

Low Risk	If Lifetime IFA Ltd had no upheld complaints in 5 then the multiplier equals 225% Premium equals: £6,750 - £2,000 = £4,750 exit premium (saving of £750)
High Risk	If Lifetime IFA Ltd had more than 4 upheld complaints in 5 then the multiplier equals 300% Premium equals: £9,000 - £2,000 = £7,000 exit premium (cost of £1,500)