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## **PROFESSIONAL INDEMNITY INSURANCE**

Participants may be aware that Marsh Pty Ltd (Marsh) had for some years arranged appropriate Professional Indemnity insurance for a number of current and former SFE Participants. The current Run-off professional indemnity will expire on **31 July 2003** and to date, despite Marsh's best efforts, there is no replacement Insurer for those Participants who have not made their own arrangements.

Accordingly, the following outlines Participants' obligations in respect of maintaining an appropriate level of Professional Indemnity cover.

As Full Participants would be aware, it is a requirement of General By-Law G.3.16(j) to effect and maintain such form of indemnity as the Exchange may from time to time determine to be appropriate to protect the interests of Clients of the Participants.

**In this regard, the Exchange reiterates that it is each Participant's responsibility to determine an appropriate level of indemnity in line with their business.** What is appropriate for each Participant will depend on the type and extent of the business conducted, however the Exchange expects notification in due course, of Participants' arrangements for ongoing indemnity cover. This should include amount of cover, term of the indemnity and level of deduction.

It is also a requirement of the Corporations Act 2002 [Sec. 912B] that a Financial Services Licensee that provides a financial service to persons as **retail clients**, the licensee must have arrangements for compensating those retail clients for loss or damage suffered due to breaches of their licensing obligations. This regulatory provision will become an effective obligation for licensees from 11 March 2004 [Corporation Reg 10.2.44 (1)].

The Corporations Regulations do not, as yet, specify what arrangements will satisfy this compensation requirement and ASIC is yet to provide industry guidance on what they would approve as suitable compensation arrangements.

Participants seeking advice on this issue should contact Insurance Industry Professionals.

Should you have any other queries please contact either the undersigned on 9256-0652 or [abrown@sfe.com.au](mailto:abrown@sfe.com.au) , or Barbara Jones, Senior Legal Counsel on 9256-0560 or [bjones@sfe.com.au](mailto:bjones@sfe.com.au) .

A handwritten signature in black ink, appearing to read 'Anne Brown', with a horizontal line underneath.

**ANNE BROWN**  
**GENERAL MANAGER, BUSINESS RISK**