



## Registrar's report: 2017 HRPA Member survey Compliance with the professional liability insurance requirement

May 30, 2017

At HRPA, all members and students in independent practice are required to obtain professional liability insurance, and to notify the Registrar of these arrangements. The compliance rate is simply the number of members, students, or firms that have obtained professional liability insurance and notified the Registrar of such arrangements divided by the number of members, students, or firms in independent practice.

$$\text{Compliance rate} = \frac{\text{The number of members and students in independent practice having professional liability insurance}}{\text{The number of members and students in independent practice}}$$

The registration application and registration renewal forms require members and students to provide information about their professional liability insurance arrangements but only if they have indicated that they are in independent practice.

Since 2012, the HRPA Member survey has included two questions relevant to compliance with the mandatory professional liability insurance requirement. The first question asks respondents to indicate their type of practice which includes two independent practice options:

- for HR professionals offering HR services as an independent practitioner either full-time, part-time or occasionally, and
- for full-time HR employee who do some consulting on the side

Respondents who select either of those two options are asked in a subsequent question whether they carry Professional Liability insurance.

### **A self-report measure of compliance with professional liability insurance requirement**

A self-report measure of compliance can be derived by dividing the number of respondents who indicate having professional liability insurance by the number of respondents in independent practice.

$$\text{Professional liability insurance compliance rate based on self-report} = \frac{\text{The number of members and students in independent practice having professional liability insurance as per self-report on the 2017 Member Survey}}{\text{The number of members and students in independent practice as per self-report on the 2017 Member Survey}}$$

In the *2016 HSPA Member Survey*, 160 respondents indicated being in independent practice, of these 105 reported having professional liability insurance. Based on the numbers above, we could calculate a compliance rate of 65.6% (105 / 160). But, as described below, there are reasons to believe that this compliance rate based on self-report may be a significant overstatement of the true compliance rate

It is interesting to note that 34.4% of respondents in independent practice are willing to admit that they do not have professional liability insurance as is required by by-law.

	2012	2013	2014	2015	2016	2017
HR professionals offering HR services as an independent practitioner either full-time, part-time or occasionally	48.5	66.0	72.0	68.7	65.4	69.1
Full-time HR employee who do some consulting on the side	12.3	24.4	29.5	35.2	53.7	51.5
Overall	32.6	47.4	55.5	61.7	63.6	65.7

### **An objective measure of compliance with the professional liability insurance requirement**

In November 2015, we pulled from our database all the members for which the term ‘consulting’ appeared in the business name field—there were 1365 such members. Of those 1365 members, 234 had professional liability insurance but 1131 did not. This makes for a compliance rate of 234/1365 = 17.1%. Of course, using the term ‘consulting’ in the business name field as a proxy for independent practice is only an approximation but it does suggest that the true compliance rate might be significantly lower than the self-reported compliance rate.

The following compliance rate was calculated:

$$\text{Professional liability insurance compliance rate based actual number of members and student with professional liability insurance on file} = \frac{\text{The number of members and students in independent practice having professional liability insurance as per HSPA files}}{\text{The number of members and students in independent practice as extrapolated from number and students in 2017 Member Survey}}$$

Assuming that the proportion of members and students in independent practice is the same for those who did complete the Member Survey is the same as for those who did not complete the Member Survey, we can estimate that there are 1,561 members and students in independent practice.

In the *2017 HSPA Member Survey*, 160 out of 2,781 respondents indicated that they were in independent practice in one form or another.

Estimated number of members and students in independent practice  $E = \frac{A \times C}{B} = \frac{24,124 \times 160}{2,782} \cong 1,387$

The actual number of members and students who have professional liability insurance is 531. The compliance rate can be calculated as follows:

$$\text{Compliance rate } G = \frac{F}{E} = \frac{531}{1,387} = .38$$

Summary table	2016	2017
A Total number of members and students	23,713	24,124
B Number of survey respondents	3,508	2,472
C Number of survey respondents in independent practice	269	160
E Estimated number of members and students in independent practice	1,818	1,561
F Actual number of members and students with professional liability insurance	529	531
G Compliance rate	.29	.38

## Discussion

There is a big discrepancy between the compliance rate derived from self-report and the compliance rate derived from estimating the number of members and students in independent practice.

Of the two numbers, the most trustworthy is the one derived from estimating the number of members and students in independent practice. Indeed, one should not be surprised that members and students who practice independently without professional liability insurance to be less than candid about this even on an anonymous survey.

There are a few possible alternative explanations for such a discrepancy but neither is very likely:

- a. Registrants in independent practice may be over-represented in the Member Survey—meaning that there are in actuality less than 1818 members in independent practice. To the extent that there are less than 1818 members in independent practice, the compliance rate would be greater than 29.1%. There are no reasons to believe, however, that the number of registrants in independent practice are over-represented in the *2016 HRP A Member Survey*.
- b. Many registrants in independent practice have professional liability insurance but simply fail to notify the Registrar that this is the case. This would make the 529 an under-representation of the true number of registrants with professional liability insurance. Although, not notifying the Registrar that one has professional liability insurance may not be as bad as not having professional liability insurance, this still is in non-compliance with the By-laws.

All in all, the best estimate of the compliance rate for professional liability insurance is 38.3%. What our data do not tell us is what the proportion of members and student in independent practice having professional liability insurance would have been were it not a requirement. In other words, what proportion of the 38.3% who do have professional liability insurance would have had professional liability insurance anyway?

The important aspect here is that many members and students do not feel compelled to abide by the HRPB By-laws.