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Professional

INSURANCE BROKERS

“If you think  
it’s expensive  
to hire a  
professional...  
wait until you  
hire an amateur”

Insurance for your reputation



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# "If you think it's expensive to hire a professional... wait until you hire an amateur"

**By now you will have been bombarded with news that the Latvian Insurance Regulator has prohibited Balva Insurance Company from writing any insurance business, both in their home country and overseas. There is no suggestion, at this stage, that Balva will not honour their policies until 30th September (and beyond) and the restriction may be lifted once the 'issues' with the regulator have been resolved.**

But where does that leave you, the Insured firm? As things stand the policies are still in force and in a recent letter Richard Collins at the SRA advised that the obligation on Balva to see out the terms of their contract with firms remains unaffected. However, it stops short of advising that Balva will still be around to honour those obligations.

Whilst the position Balva finds itself in has been reported as being different to that of Quinn and Lemma, comparisons will ultimately be drawn.

Like Lemma and Quinn, Balva carries no official financial security rating. But what does this mean? Should you be concerned? Is the level of premium the only factor to take into account when buying PII or does it matter who you insure with?

Financial Ratings are useful for buyers of insurance as they provide details on an insurer's ability to pay its obligations under the policies it has issued. It affords you the opportunity to compare the relative financial position of insurers that are

providing the ultimate safety net for your practice. This is very important in view of the gap in time between notifying a potential claim and that claim being due for payment.

There seems little point in having a gold-plated policy wording, designed to protect the consumer, if insurers are not around to pay the claims when required.

If you notify a claim to an insurer who is no longer in business, are they likely to try hard to defend the claim or try to settle as quickly as possible at or near the excess limiting their own costs? Is this in your best interests?

In the case of Lemma, since they've been wound up, all claims made under any run-off policies taken out with Lemma are now bounced back to the very people who paid for that run-off cover.

Finally, one important person who is starting to sit up and take notice of the unrated insurer is the local bank manager.

There's no suggestion that your banker will tell you where to place your professional indemnity cover this year, but expect a question or two about the insurer's rating. If the bank is carrying an overdraft on your business and the backstop for your business is an overseas unrated insurance carrier with no track record in the PII market, I would expect them to start to take an interest.

So what should you do now if you are insured with an unrated carrier? (Additionally, if you are insured with Aviva this advice is applicable as the UK's largest insurer has withdrawn from the Professional Indemnity market because of the lack of profitability)

Now is the time for all firms to make their business a better insurance risk and establish a long term relationship with their Insurers. It may cost a little more initially but what are your reputation and business worth?

The prudent firm should be exploring the situation now with a view to protecting their business.

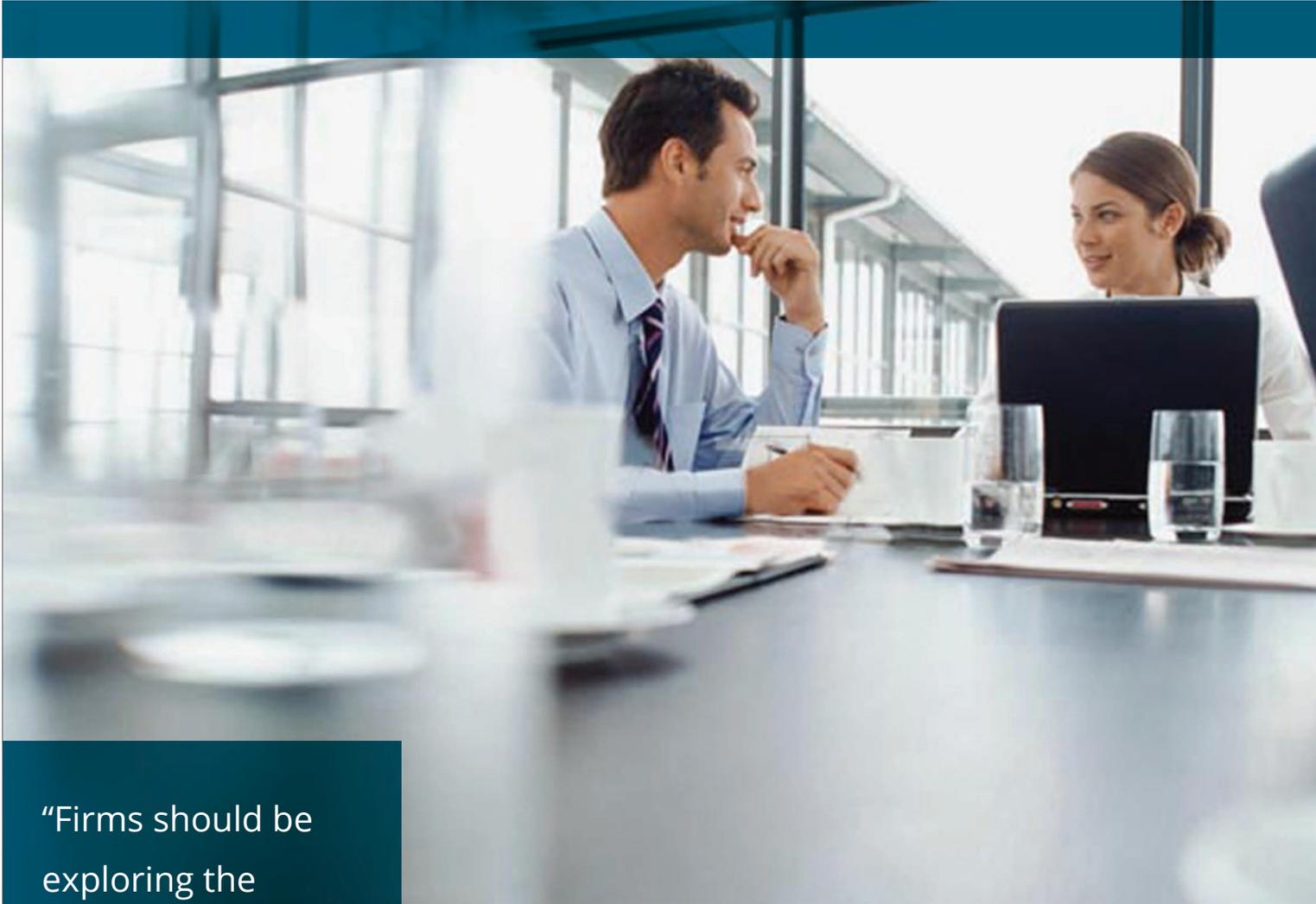
That doesn't mean rushing out and buying another policy. But it does mean seeking advice from an experienced professional indemnity insurance broker, who will be able to talk you through the situation and the options available to you at the moment and at renewal.

In June 2010, the Law Society published a guide to choosing an insurance broker and the advice given in that document is perhaps more valid now than it was then.

There are a number of relevant questions we would urge you to ask yourselves:

- Is your broker a Specialist PII broker who has expertise in the professional indemnity market or are they a general insurance broker or other intermediary who has to access insurers through a specialist PII Broker (and therefore increases the cost to you)?
- Does your broker visit you to understand your business and your risks?
- Does your broker inform you about market conditions, the changes taking place with Qualifying Insurers and how best to approach the market?
- Do you get advice on what risk management measures will positively influence the Qualifying Insurers?
- What help do you get completing your proposal form?
- Does your broker have a dedicated PII claims department who can support you when a claim is made against you or who provides advice and assistance when notifying a circumstance?

At this stage its worth remembering the words of Red Adair, "If you think it's expensive to hire a professional to do the



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job, wait until you hire an amateur.”

It will be a difficult summer given the changes in the market. Firms who have previously been covered by unrated insurers will find it difficult to secure terms at renewal this year as the more established insurer’s attitudes harden.

Our advice is that firms should put plans in place and start to work with insurance professionals now to avoid the annual summer “bun-fight”. That doesn’t mean trying to fill out a proposal form today but it does mean engaging with a PII specialist at an early stage.

One final point to remember is that the Assigned Risks Pool no longer exists and there is no safety net beyond 90 days from renewal if a firm cannot find cover. Thus firms who have used the ARP as a relative ‘safe haven’ whilst they sought cover will no longer be able to do so and will be faced with closure if cover can’t be found.

*Established in 1993, McParland Finn (MFL) is a leading Professional Risks insurance broker operating from offices in Manchester and Leeds and is dedicated to providing insurance solutions to professional services firms across the UK.*

*We boast significant experience in advising professional firms in relation to identifying, minimising and eliminating risks to their business. We concentrate on our chosen niche area, providing outstanding and practical advice on the complex and business critical issues of professional liability risk.*

*Our clients retain us not only for our broking expertise, but also for the added value*

*services we provide around claims handling and risk control.*

*Our expertise enables us to have access to, and work with, the leading specialist providers in the professional indemnity insurance market.*

*We would be pleased to meet with firms on a no obligation basis to help you plot your way through this summer.*

**Contact Stuart Dugdill,  
Director, to discuss  
your PI arrangements:**

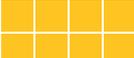
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