

The Professional Indemnity Insurance Market – Don't Panic! Be Prepared!

RISKupdate

Manchester Law Society

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For any solicitors practicing in certain sectors of industry, e.g. construction or property, chances are you will be all too well aware of the issues facing your clients, at best a destabilised Professional Indemnity Insurance (PII) market and in some cases arguably a failing market.

Our previous bulletins have highlighted the reasons behind such difficulties which have hit other professions, e.g. claims and underwriting losses, loss of Insurer capacity, Lloyd's of London thematic review, Grenfell etc.

So, how does this impact the Solicitors' PII market in early 2020?

A few factors to consider:

- Recent years have seen the exit from the Solicitors' PII market of several Insurers; Aspen, Brit, Channel, Hamilton, Pioneer and even Libra to name a few. More recently, two broker owned Managing General Agencies (MGA's) using Lloyd's capacity have shut their doors. Overall a significant reduction in capacity for the profession.
- A knock-on effect of this has seen even one of the world's largest Brokers pull out of the sector in England & Wales, perhaps the biggest surprise of all?
- A change of appetite amongst Insurers still writing Solicitors' PII, with most now wishing to focus on genuine niche Practices rather than those multi discipline firms at either end of the scale size wise. For instance, Conveyancing, Commercial work and Personal Injury are to some Insurers a no-go area.
- Huge premium rises through 2019 on Excess Layer policies (above the compulsory Primary policy) have already taken place.

Any Positive News?

- The short answer to this is, for those Practices able to highlight they are well run and with a good and/or improving claims record; 'yes'.

- Most Insurers are talking of further rate increases, perhaps typically 10-20%, but for the good Practice then competition remains strong.
- A sensible, specialist Broker will assist your Practice in ensuring your market presentation is detailed, well presented and highlights all key facts, allowing the best possible chance of your Practice achieving the most competitive terms available; e.g; what is the nature of your Commercial work, what values are involved, who carries out this work and so on?

Another Consideration; What About Management Liability, Cyber/Crime & Office Cover?

- Do not focus only on your PII. A brief example; the new regulatory regime from November 2019 (Standards & Regulations) extend a firm's potential obligation beyond existing clients to former clients.
- What happens if the SRA get involved by way of SDT Disciplinary Proceedings? Your PII cover will need to dovetail with a suitably wide Management Liability policy.
- Are you able to respond to a Cyber attack? What might your costs be were this to happen? A robust Cyber policy is essential, again to sit correctly with that element of cover afforded (for now at least) under the PII Minimum Terms & Conditions.
- How extensive is your Office cover? Does it include billable hours included within the Gross Revenue definition, making small losses easier to settle?

See our various previous bulletins highlighting these covers in greater detail.

In summary, the Solicitors' profession as a whole is still able to access a healthy and competitive insurance market and whilst costs are increasing this does follow many years of either rate reductions or benign positions from those Approved Insurers. Hopefully we've provided a few useful pointers here and would ask that you contact us should you wish to discuss further.

www.m-f-l.co.uk

www.solicitorassist.com

Should you wish to discuss the above points in more detail or require indications of cost and cover, please contact us as below

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