

The Professional Indemnity Insurance (PII) Market Developments and COVID-19

Written by Abbey McCarthy Cert CII & Robert Carter Cert CII

We consider in this month's bulletin the dual impact on the sector of the difficult insurance market and the current health crisis and offer a little guidance as to how you might best navigate your way through this.

As highlighted in our March 2020 bulletin, you will be aware that the insurance market has hardened significantly. This process started due to the well-documented review of all Lloyd's syndicates, a reduction in Insurer's capacity and Grenfell. As we move through the current lockdown, this hard market continues for most professions, including solicitors. Fewer Insurers are writing PII for solicitor firms and all are tightening their appetite. For example, many Insurers are now prioritising their renewal books and the majority will not look at any new business enquiries where the conveyancing percentage in areas of work exceeds a certain percentage, typically 15-25% depending upon the Insurer.

Unfortunately, in recent months we have also seen significant changes with Excess Layer cover for solicitors, where the overall capacity is very much reduced and the remaining Insurers continuing to increase their rates leading to further premium increases.

So, how does the insurance market work?

- Your Insurance Broker will advise on and arrange your insurance on your behalf. A specialist in Professional Indemnity Insurance for law firms such as MFL Professional can access a number of Participating Insurers to provide you with competitive terms and an Insurer that understands your firm's exposures.
- The Insurance Broker will identify their method of remuneration, this will either be a commission payment from the Insurers or a fee negotiated with yourselves, all dependent upon the level of service agreed with you, e.g. claims handling assistance, risk management services etc. The Insurance Broker does not of course pay the claims themselves.
- Participating Insurers carry the risk in exchange for premium and can be accessed via a broker. Many insurers have different appetites, for example, some will only insure solicitor firms with a minimum turnover of £10,000,000, whereas others may prefer

to only look at 2-8 partner firms. For more information on which insurers currently write insurance for solicitors and what their appetite is, see our crib sheet found on our 'solicitorassist' website (<http://www.solicitorassist.com/>).

COVID-19 Questionnaires

The current hard insurance market is not helped by the current COVID-19 situation, which is causing a lot of insurers to focus more on what they already insure and issuing renewal terms for them as opposed to actively acquiring new business. In addition to this, many solicitors will be looking at a potential reduction in their fee income for the forthcoming year, after furloughing employees and potential redundancies. Despite this, Insurers are still rating their premiums based on the fees earned for the last completed financial year, so whilst your fees may be predicted to decrease, it is important that you are prepared for your premiums to increase. Professional indemnity insurance works on a 'claims made' basis, it covers you for work you have done.

It is also important to note that due to the current pandemic, many Insurers are now starting to ask additional questions with regards to the pandemic, the measures you may have put in place due to the current COVID-19 crisis. The questions asked will most likely be based around your working practices etc. but finance also. In all likelihood, Insurers will require this information as a subjectivity and many have produced COVID-19 forms which you would need to fill out.

Importance of Submission

Furthermore, you may well have noticed, proposal forms and accompanying questionnaires are now being sent out well in advance of renewals. The primary reason, being a more difficult market, means your Insurance Brokers have to ensure your submission is in the best possible presentation format to allow insurers to provide terms. Whilst returning forms in good time is beneficial, the content of the forms is even more so – a professional and comprehensive submission is necessary.

A clear and well set out proposal form can make a world of difference as underwriters look through hundreds of enquiries in a short space of time. They are trying to understand the potential risk of your firm based on a short proposal form. For this reason, it is essential to clearly present your firm positively and fairly in an articulate manner. A messy presentation will instantly put you on the back foot and in some cases that may be enough for an underwriter to decline. Think to yourself how the forms present your company and if you would take a positive view, based on the information you have provided.

Premium Finance Availability

The current circumstances have obviously had a detrimental impact on all businesses alike, and short to medium term cash flow may very well have been damaged. In these circumstances, the last thing you need is an insurance renewal to further jeopardise the position. For this reason, many solicitors are taking advantage of the premium finance options available from premium funders such as Premium Credit Limited (PCL).

Using this funder as an example, in recent months, PCL have widened their capabilities and flexibility of finance offerings. This has meant that payment can be made to insurers in good time, whilst your firm doesn't take a huge hit from a cash flow perspective. Whilst you may be thinking this would add another monthly bill, short terms options are available to allow costs to be spread over fewer months if required. This again helps relieve that pressure that most are feeling now given the uncertainty at this time. All firms are eligible to apply for a quotation, speak with your Insurance Broker and ensure your finance application is also submitted well ahead of your insurance inception date.

In summary, the Solicitors' profession as a whole, is such that a practice able to highlight it is well run will still be able to access competitive options but preparation is key – take a look at the Law Society website where further detailed guidance is provided. 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

**GET IN
TOUCH**

Mark Ramsbottom
Abbey McCarthy
Robert Carter
Richard Gledhill

E: markr@m-f-l.co.uk
E: abbeym@m-f-l.co.uk
E: robertc@m-f-l.co.uk
E: richardg@m-f-l.co.uk

T: 01943 816866
T: 0161 237 7746
T: 0161 237 7736
T: 0161 237 7725

M: 07803 199401
M: 07513 452836
M: 07513 453095
M: 07984 879124