
Annual Law Society survey of Solicitors' PII: The headlines

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In its recent annual survey of solicitors' professional indemnity insurance (PII), the Law Society found that premiums reduced by 8% from last year.

The survey of 560 firms, from sole practitioners to firms with up to 25 partners found, in particular, that unrated Insurers had almost disappeared. 76% of firms reported that renewal had gone smoothly, up from 62% in previous years, although the greatest difficulty was felt in firms with two to four partners.

Loyalty in the market has enabled many Insurers to maintain their market shares. Stability in the market has been assisted by firms eschewing the traditional 12 month policy period, with over a third of firms now agreeing longer policy terms. The Society concluded that flexibility by Insurers in accepting different proposal forms and the increased variety of policies in the market is likely to benefit firms. Most firms focused particularly on pricing when deciding where to place their business, but loyalty to Insurers and brokers has been helped by high levels of satisfaction in relation to service and claims handling.

The Society has been concerned with the impact of scams on the PII market. This is not surprising, given that the increasing number and variety of scams can be extremely costly to Insurers. The Society found that almost a quarter of firms had been targeted. A successful theft of client account monies occurred in less than 10% of those cases. Although there were only nine relevant responses in the survey, in around a third of cases Insurers paid the claim resulting from the scam, with Banks footing the bill in a further third of cases. The Society found that, given the impact of scams, Insurers are now requiring Insureds to explain what preventative measures have been taken to safeguard themselves.

Finally, the Society is considering further research in relation to run-off cover. Finding competitive run-off cover was reported to be challenging and costs are continuing to increase, making retirement a challenge for many. It remains to be seen whether the SRA's proposed "hardship fund", designed to assist sole practitioners wishing to close their practices, will be established and, if so, whether it will be made available to multi-partner firms.

The prevalence of scams, and particular cyber security breaches and potential changes to the SRA's Minimum Terms and Conditions of PII are areas that are predicted to impact the market in the future.

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