



LOCKTON[®]

PROFESSIONAL INDEMNITY INSURANCE FOR SOLICITORS

BUYER'S GUIDE



Introduction

Your Professional Indemnity Insurance is almost certainly one of the single most significant costs for your business after salaries and office rental costs.

In the last couple of years we have started to experience a 'hardening' market for solicitors PII. Your proposal form is the equivalent of a tender submission for a major contract. You are, in effect, competing with thousands of other firms to convince insurers that you are a good investment –that you will help them deliver on their business targets.

A good broker is vital in helping you communicate that message to insurers, but we can only work on the basis of the quality of the information you provide us with.

Your renewal submission needs to demonstrate transparency, professionalism, and embody the values of the firm. It shouldn't be cobbled together at the last minute. It shouldn't have gaps, or be filled with errors or corrections.

This guide will help you get it right first time.

Who is this document for?

If you are responsible for arranging your firm's PII insurance, or completing your firm's PII renewal submission, this document is for you.

How will it help you?

This document will help you:

- Save time
- Simplify the renewal process
- Get things right first time
- Present yourself as effectively as possible to get the best available terms

INDEX

Click on chapter heading to go to that page



The renewal of your Professional Indemnity Insurance is not a one week, or even a one-month process. The underwriting process involves analysis of a complex and detailed data set, that you have to collate and present. That itself takes a lot of time and **should be started early**.

We also need to review the market regularly throughout the year, to ensure that insurers still meet our stringent rating requirements, to check what their market appetite is at a particular time, and how your practice fits within that.

[\[Click here\]](#) for a summary of the renewal process, and a timeline to help you be prepared in good time.

Renewal Process Timeline

Timeframe	Event	What Lockton does for you	Your Action Points
February - early May	Mid-Term Review meeting (Review of previous renewal Update on firm Market Update PII Strategy review)	<ul style="list-style-type: none"> Review of PII renewal across entire market for previous year Benchmark client firms' PII Insurer market updates Updated claims experience 	<ul style="list-style-type: none"> Review current claims Undertake claims analysis and risk improvement action plans Provide updated staff details, financials, strategy
May - June	Proposal form Issued	Negotiation of proposal form requirements with multiple insurers	Start collating information to assist completion of proposal form
June - July	Claims Review (Address any contested reserves. Close down outstanding claims where possible)	Provide latest claims experience Liaise with client and insurers as required	Review outstanding claims: identify where reserves contested, update Lockton on progress of any high value or contentious claims
July - August	Underwriter Meetings (Insurance market updates. Ensure Insurers understand and get to know existing insured practices and/or prospective clients)	Liaise with insurers to update on their appetite and remaining capacity Identify suitable markets for particular clients Establish which clients insurers wish to meet with Promote meetings for existing clients and prospective insurer clients where required	Where underwriter meetings arranged: Risk management submission Completed proposal form
Mid July - end August	Completed renewal submission to be submitted	Produce broking notes and attach with submission details to insurers. Upload all key data into database	Submit completed renewal submission (including all supporting documents) to Lockton – ideally by end July
September	Negotiation of Renewal terms	Receive in initial renewal terms from incumbent insurer and any alternative markets Review any conditionalities, compare terms Negotiate terms with preferred insurer. Negotiate any additional 'top up' layers of insurance. Present terms to client	Review terms received. Accept preferred terms and send signed and dated acceptance back to Lockton asap, to ensure that 'cover is held'
30th September	Confirmation of cover and issue of Certificates	Lockton to confirm cover with all markets by 30th September, and issue Certificates of Insurance	
October	Policy Inception and Issue of Policies	Policies Incepted 1st October Policy documents issued within 30 days (after compliance review)	
November	Renewal Review	Renewal Review and Client Survey issued	Respond to Renewal Satisfaction Survey

Download Renewal Action Planner

[see Appendix 1](#)

RISK FACTORS & PREMIUM

Your premium is impacted by a number of risk factors – some within your control and some not. The Macro business climate within which insurers are operating inevitably has an impact. The risk profile of the solicitor profession as a whole also is a major determinant of the market, and the overall cost of insurance.

The risk profile of your own firm nonetheless remains the single most significant determinant of your premium

OUTLOOK FOR 2014 RENEWAL:

Factors impacting on 2014 premiums

Click on a factor to read more

Practices considering insuring with an unrated insurer should read [Selecting your PII Insurer](#)

Macro

For more information on this, see [Understanding your firm's risk profile](#)

Micro

We can provide firms with more advice and support on this - see our [Risk Management](#) section for more information.

UNDERSTANDING YOUR FIRM'S RISK PROFILE

Work type & risk profile

Your practice's work split is a significant determiner of the firm's risk profile, and the appetite of certain insurers to consider quoting for the practice's PII cover. It is therefore important to allocate work to work types as accurately as possible.

Work Type Risk Profile Guide

Low	<ul style="list-style-type: none"> Adjudication / Arbitration / Mediation Agency Advocacy Childrens Work, Mental Health Tribunal Criminal Debt Collection (Small) Expert Witness / Lecturing Work Immigration Loans and Affidavits and Notary Public Offices & Appointments Parliamentary Agency
Low/Medium	<ul style="list-style-type: none"> All Other Non-Litigious Work
Medium	<ul style="list-style-type: none"> Debt Collection (Large) Defendant Litigation (Insurers) Employment (Litigious) Employment (Non-Litigious) Matrimonial Personal Injury - Defendant Town and Country Planning
Medium/High	<ul style="list-style-type: none"> Landlord/Tenant (Litigious) Landlord/Tenant (Non-Litigious) Personal Injury - Claimant
High	<ul style="list-style-type: none"> All Other Litigious Work Commercial Litigation Estate Agency, Property Valuation Financial Advice and Services Financial Advice and Services Intellectual Property including Patent, Marine Litigation Probate and Estate Administration Trusts Wills and Tax Planning
High/Very High	<ul style="list-style-type: none"> Commercial - Excluding Public Commercial - Public Companies Conveyancing - Commercial Conveyancing - Residential

What about other factors that impact?

The other key factors that determine your practice risk profile are:

- Size of firm (number of partners, and ratio of fee-earners to partners)
- Fee income
- Financial Stability
- Claims

Of these, claims is usually the single greatest determiner of whether an insurer will offer terms, and on what basis. As your broker, Lockton can help you examine your claims record with a view to improving your risk profile.

Even where your practice has an exemplary claims record, your practice may be considered to be in a high risk category – simply by virtue of your work profile and firm size. At renewal, your firm is one of around 10,000 looking for cover. As a broker we can make a real difference where we can demonstrate to insurers that your firm stands out from its peers

Selecting your PII Broker

Basic Due Diligence on your broker

Question for your broker	Lockton Response	Other Broker?	Comments
<p>Does your broker have 'chartered' status of the CII?</p>	Y		All brokers require to be FCA regulated. Not all are Chartered Members of the Chartered Insurance Institute however. Chartered brokers such as Lockton are required to meet higher professional standards , with stringent qualifications requirements and enhanced annual CPD training requirements.
<p>Does your broker have specialist experience in solicitors PII?</p> <ul style="list-style-type: none"> • How many year's experience do they have in placing solicitors PII? • What percentage of the solicitors' PII market did they place last year? 	<p>Y</p> <p>Since the open market commenced in 2001</p> <p>30% of the total premium placed with the top 10 rated insurers</p>		Lockton is a specialist professional indemnity broker, with one of the largest solicitor client bases in the country. We also have remarkable breadth and depth of experience in our specialist solicitors team (who, taken together have 619 years experience in Solicitors PII).
<p>Does your broker place insurance cover directly with the insurer (rather than send it to another broker)?</p>	Y		Lockton deals directly with all rated insurance markets, on a regular basis. Not only does this enable us to really understand the market, but we do not have to pay any intermediary's costs.
<p>How many markets can your broker approach?</p>	<p>12+ A-rated insurers* in the solicitors PII market including:</p> <ul style="list-style-type: none"> • AIG • Axis • Hannover • Travelers • QBE • Zurich 		Lockton is not a single insurer broker. While we have exclusive access to Inter-Hannover, we have a strong book of business with several A-rated insurers, placing c. £86m of premium with them for solicitors PII last year. (see appendix II for Participating Insurers 2013)
<p>Does your broker use unrated markets?</p>	N		While the SRA has not progressed its plan to impose a minimum rating requirement on participating insurers, many commercial clients, such as lenders, are themselves imposing the requirement. Following the recent 'boom & bust' of many unrated insurers in this market, putting clients and law firm partners at undue risk, we strongly believe that strong rated insurers with long-term commitment to the solicitors market provide the best option for your PII.

- continued on next page

- continued from previous page

Question for your broker	Lockton Response	Other Broker?	Comments
What types and size of firm does your broker look after?	Sole practitioner to top 20 firms		We specialise in solicitors, not just a particular size of firm. Whether you hive-off to form a boutique firm, set up on your own, or your firm grows significantly, we can continue to work with you and advise you - with dedicated specialists allocated to your account from day one.
Is your brokers' service 'advisory' as opposed to 'execution only' (with no advice)?	Y		Professional Indemnity Insurance should not simply be about 'ticking the compliance box'. It is an important part of your professional credentials and risk management strategy. If and when a claim arises, you need to know that you are in the right hands - both in terms of broker support, and that of a supportive insurer. Professional Indemnity is only one part of your firm's risk management. At Lockton, we provide you with a range of resources - online and in person to support your practice grow for the future.

* as at 2013 renewal. Market entrants and appetites vary regularly - and other brokers may have exclusive relationships with insurers within certain criteria. Your Lockton broker will advise you of markets suitable for your business at the current time.



Selecting your PII insurer

Factors to consider when choosing which quote to accept:

If you receive multiple quotes, you should seek advice from your broker on which offer to accept. Factors, other than cost, to consider before choosing which quote to accept include:

1. The financial solvency of the insurer, including whether or not the insurer has a financial rating.
2. Any conditions or caveats attached to the offer (eg acceptance windows, conditions on type of work undertaken)
3. Whether there is any commitment to renew for a further period, and on what terms
4. The benefit of loyalty and continuity/ the insurer's experience and commitment to the solicitors PII market
5. The level of excess to be paid in the event of a claim.
6. The claims service and support provided by the insurer;
7. Whether the insurer provides [risk management support](#).

We can provide firms with more advice and support on this - see our [Risk Management](#) section for more information.

How much cover should I take out?

Law firms are required to take out a minimum amount of Professional Indemnity Insurance cover (currently £2m for sole practitioners and traditional partnerships, £3m for all other entities, including any 'Relevant Recognised Bodies'). This is usually referred to as 'primary layer' cover.

At the time of writing, the SRA is consulting about reducing the level of compulsory cover in certain circumstances. Lockton's view is that, even if such changes come into force, this is likely to be relevant for a small minority of practices.

The total amount of PII you need will depend on your firm's size and exposure to risks. It is important to note that your PII cover is on a 'claims made basis'. That means that the amount of cover applicable to any claim is not the cover that was in place at the date that the transaction was undertaken, and the error made, but the cover in place as at the date that the claim is made.

Claims against solicitors often arise many years after the work was undertaken. This is particularly true of property-related work. We recommend, and many larger clients may require, that you provide cover up to a certain minimum level for at least 6 years after the piece of work was undertaken.

It is also worth bearing in mind that the capital value of a transaction does not necessarily reflect the potential loss. Development sites may have lost development potential value far in excess of the purchase price of the land. Private clients may acquire far greater wealth over a period from the date of initial instruction. Multiple claims can arise from the one error, leading to 'aggregation' of the claims.

You should seek advice from your broker to ensure that you have a sufficient level of cover for your firm.

If you decide to obtain cover above the compulsory level, known as 'excess layer or top up cover', this cover can be obtained from any insurer - not just a participating insurer, as applies to the Primary layer cover. It is not necessary to buy all your cover from one insurer. Your broker should advise you on the implications of any differences in terms and conditions between your primary layer insurance and your excess layers.

APPENDIX

I. Renewal Action Planner

Timeframe	Your Action Points	Responsibility	Due Date	Notes	Lockton Tips
Ongoing Performance Review					
February - early May	<p>Review your up-to-date claims experience</p> <p>[Proposal Form ref: Q12]</p> <ul style="list-style-type: none"> Undertake claims analysis and risk improvement action plans Provide updated staff details, financials, strategy 				If you have high value claims, or a significant number of claims (as opposed to circumstances) with sums paid/reserved - undertake a claims review exercise, and identify improvement actions that can be implemented.
	<p>Notify your broker of any changes/anticipated changes to your practice</p>				Please inform us of any changes: eg to business structure, new teams, significant increase/decrease in fees or a particular work type, new contact details. For more information, see Lockton's Guidance on What to Intimate
Background Preparation for Renewal					
May - June	<p>Collate financial/ transaction data</p> <p>[Proposal Form ref: Q5, Q6, Q7, Q8, Q9, Q10]</p>				This is generally the most time-consuming aspect of the proposal form. Advise your accounts team and Departmental Heads of the requirements for fee breakdowns by work types. Check the requirements of Section 9 of the Proposal Form (and any relevant supplementary questionnaires) and set timescales for this information to be provided, taking into account many colleagues holidays in July and August!
June	<p>Review outstanding claims</p> <p>identify where reserves contested, update Lockton on progress of any high value or contentious claims</p>				Are there any claims which you believe are over-reserved, or have some other inaccuracy? If so, speak to your Lockton Account Executive, or, if you deal direct with your insurer's claims team, speak to them about the rationale for the reserving.
	<p>Risk Management Submission?</p> <p>[Proposal Form ref: Ancillary to Q11]</p> <p>Consider whether you should be submitting a risk management submission - for pre-renewal underwriter meetings or the renewal submission</p>				Our guidance note and template document will help you identify whether this may be necessary, and what you should include.

continued on next page -

- continued from previous page

Timeframe	Your Action Points	Responsibility	Due Date	Notes	Lockton Tips
June - July	<p>Accounts Information</p> <p>[proposal Form ref Q5, Q7]</p> <p>If you do not already have up to date accounts for the last complete financial year, ensure that these will be available for end July.</p>				Ensure that you will have access to accurate budget figures , WIP, details of outstanding fees, overdraft information etc.
Completing the Proposal Form					
July	<p>Regulatory matters</p> <p>[Proposal Form Q4]</p> <p>Email relevant fee-earners declaration forms re any regulatory or other sanctions; and any potential claims not already intimated.</p>				
	<p>Collate supporting documents</p> <p>Staff details (if separate document, any regulatory documents requiring submission, any example documentation</p>				Where possible try to minimise the number of additional attachments. To avoid email bounce-back due to attachment size, try zipping the documents, or using a more compressed file format.
Mid July - end August	<p>Submit completed renewal submission</p> <p>(including all supporting documents) to Lockton – ideally by end July</p>				<p>Where possible, try to submit your completed forms by end July. Early submissions mean that insurers have the opportunity to consider your submission earlier. This can work to your advantage.</p> <p>Double check that all key sections have been completed in full, accurately before signing, dating and submitting. If submitting electronically, you do not HAVE to sign the form at this stage, but will require to do so at the stage of quotation acceptance.</p>
September	<p>Review terms received</p> <p>Accept preferred terms and send signed and dated acceptance back to Lockton asap, to ensure that 'cover is held'.</p>				If you wish to discuss alternative terms receive

continued on next page -

- continued from previous page

Timeframe	Your Action Points	Responsibility	Due Date	Notes	Lockton Tips
Post-Renewal					
October	Confirm receipt of insurance documentation				
	Request Evidence of Insurance documents as required from Broker				Some corporate clients may require evidence of your PII cover. In circumstances where you are only offering a certain limit of indemnity you may not wish to provide them with evidence of your full cover. We can provide evidence of cover confirming that you hold 'not less than [£xx]' PII cover.
November	Respond to Renewal Satisfaction Survey				We are continually seeking to improve our engagement with clients and our renewal process. Your feedback is taken very seriously.

II. SRA Participating Insurers 2013

	Lockton Market Security Approved	Standard & Poor's Rating	A. M. Best Rating
AIG Europe Ltd	Yes	A+	A
Allianz Global Corporate & Specialty Ag	Yes	AA	A+
Alpha Insurance A/S	No	NR	NR
Amtrust Europe Ltd	Yes	NR	A
Aviva Insurance Ltd	Yes	A+	A+
AXIS Specialty Europe SE	Yes	A+	A+
Balva	No	NR	NR
Chubb Insurance Company of Europe SE	Yes	AA	A++
Elite Insurance Company Ltd	No	NR	NR
Enterprise Insurance Company Plc	No	NR	NR
European Risk Insurance Company Plc	No	NR	NR
First Title Insurance Plc	Yes	NR	A-
International Insurance Company of Hannover Ltd	Yes	AA-	A+
Ironshore Europe Ltd	Yes	NR	A
Liberty Mutual Insurance Europe Ltd	Yes	A-	A
QBE Insurance (Europe) Ltd	Yes	A+	A
Royal & Sun Alliance Insurance Plc	Yes	A-	NR
Travelers Insurance Company Ltd	Yes	AA	A
W R Berkley Insurance (Europe) Ltd	Yes	A+	A+
XL Insurance Company Plc	Yes	A+	A
Zurich Insurance Plc	Yes	AA-	NR
Syndicate 0386 (D A Constable)	Yes	A+	A
Syndicate 1886 (QBE)	Yes	A+	A
Syndicate 1955 (Barbican)	Yes	A+	A
Syndicate 4000 (Pembroke)	Yes	A+	A
Syndicate 2001 (Amlin)	Yes	A+	A
Syndicate 1274 (Antares)	Yes	A+	A
Syndicate 4711 (Aspen)	Yes	A+	A
Syndicate 4444 (Canopus)	Yes	A+	A
Syndicate 958 (Canopus)	Yes	A+	A
Syndicate 4472 (Liberty)	Yes	A+	A

N.B. Lloyd's Syndicates all receive the same Lloyd's Market Rating due to the structure of Lloyd's. For more information on the structure of Lloyd's of London please contact the Lockton Market Security team.

S&P Financial Strength Ratings Matrix		A. M. Best Financial Strength Ratings Matrix	
AAA	Extremely Strong	AAA, A+	Superior
AA	Strong	AA	Excellent
A	Strong but could be affected by adverse business conditions	A	Good
BBB	Good but more likely to be affected by adverse business conditions		

III. Risk management resources

As your broker we aim to be your trusted adviser on all aspects of risk and insurance. In addition to our comprehensive range of insurances that we can arrange for you and your business, we are continuing to invest in services intended to make it easier for you to manage your business. Particularly your risk and regulatory compliance obligations.

We therefore offer:

CPD/Risk Management training

- [Lockton Risk & Compliance Forum CPD events](#) at a range of venues across the country
- Online risk management CPD on www.locktonsolicitors.co.uk

Bespoke Consultancy*

- Risk audits and compliance reviews
- Facilitated workshops, using case-studies based on real claim scenarios
- Assistance with risk management submissions

Online Guidance on www.locktonsolicitors.co.uk includes

- Outline guide to insurance coverages
- Annotated risk register templates and guidance notes
- Mergers & Acquisitions guidance
- Information security action planner; information security awareness posters
- Cloud computing advice
- What to intimate and when
- Claims statistics and analysis for the profession
- Claims case-studies
- The claims process explained

For more details on these services please speak to [Calum MacLean](#) email calum.maclea@uk.lockton.com or contact your designated account executive.

* Some of these services will attract a separate fee.