



# The Law Society of Scotland Master Policy for Professional Indemnity Insurance

Your Guide to The Master Policy in 2019/2020



## Contents

What is the Master Policy?

Why have a Master Policy?

Lockton's role as broker

Who are the Master Policy Insurers?

How much cover does the Master Policy provide?

What is covered?

Master Policy Renewal Process

Notifying Claims to Lockton

Starting a Practice

Changes to your Practice

Mergers, Acquisitions & De-mergers

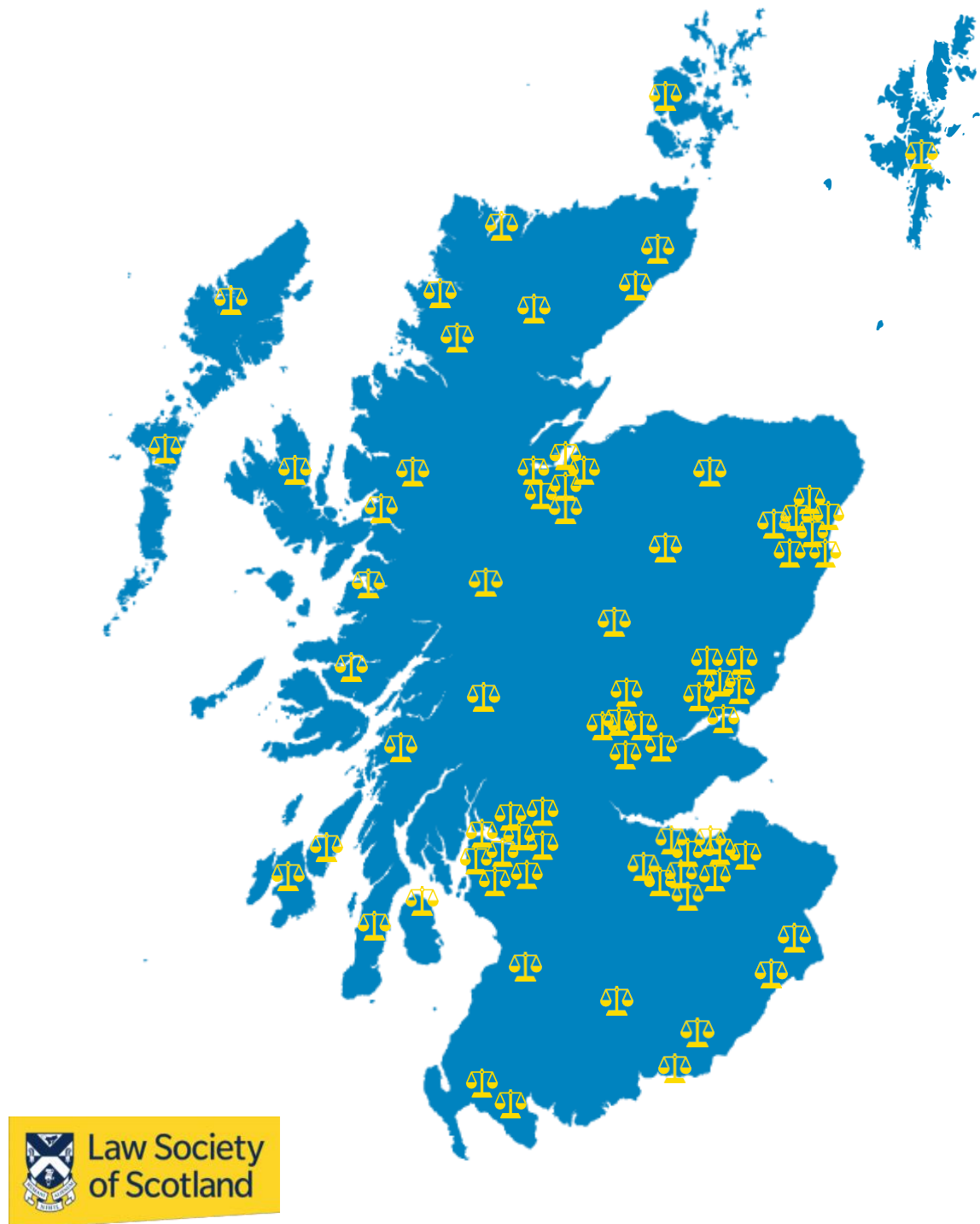
Closing Down/Retiring

Lockton's Master Policy Team



This document is for general guidance purposes and you should contact Lockton for specific advice regarding the cover provided or any other matters relating to The Master Policy. Lockton cannot accept any responsibility in respect of any errors, omissions or inaccuracies. The information contained in this guide is intended to be accurate as at 1 November 2019.

## What is The Master Policy?



The Master Policy is the compulsory Professional Indemnity Insurance policy for all solicitor firms in private practice in Scotland.

Unlike the professional indemnity arrangements for Solicitors in England & Wales, where firms can purchase insurance from one of a number of “Participating Insurers” (Insurers that agree to minimum policy terms and conditions determined by the Regulator), Solicitors in Scotland have the benefit of a Master Policy. This is a single policy which provides professional indemnity insurance cover for all law firms regulated by the Law Society of Scotland.

The principal benefit of a Master Policy is that it enables Lockton, as broker for the Master Policy, to negotiate robustly to obtain the best possible renewal terms for Professional Indemnity Insurance for all practices, regardless of size. This provides stable, transparent and fair pricing and ensures the continuity of cover on a very broad basis.

## Why have a Master Policy?

There are several benefits of having a Master Policy in place:



It provides financial protection for practices, individual solicitors and the public



It underpins the trust clients have in their solicitor



It provides fair and transparent pricing for all firms



All practices can benefit from the purchasing power a Master Policy brings







It provides cost-effective “run-off” cover for closed practices in perpetuity



The benefit of a guaranteed service level provided to all firms by Lockton

## Lockton's role as Broker

	<p><b>Strong Negotiator</b></p> <p>We negotiate with A-rated insurance markets each year to ensure that The Master Policy is renewed on as competitive and sustainable terms as possible</p>
	<p><b>Efficient Administrator</b></p> <p>We administer your Master Policy renewal process to stringent service requirements set down by The Law Society. Our online resources, including our client portal and online renewal process, help make the renewal process faster and simpler.</p>
	<p><b>Trusted Advisor</b></p> <p>We act as a trusted advisor to your business, to help you manage your risks most effectively, thereby reducing the costs of conducting business.</p> <p>We identify claims trends and highlight emerging risks, helping the Profession to develop strategies to mitigate and manage these risks. We can consult with individual firms on specific Risk Management strategies for their businesses.</p> <p>As one of the UK's largest specialist Brokers for Professions, we can also advise you on a comprehensive suite of additional insurances including:</p> <ul style="list-style-type: none"><li>• “Top-Up” Professional Indemnity Insurance, if the £2,000,000 Master Policy is insufficient for your firm's needs</li><li>• Cyber Liability Insurance</li><li>• Crime Cover</li><li>• Office Insurance</li><li>• Management Liability Insurance</li><li>• Excess Infill Insurance</li><li>• Lifeboat Cover and;</li><li>• A full range of employee benefits including keyman cover</li></ul>
	<p><b>First Point of Contact</b></p> <p>We are your direct point of contact for any Master Policy related matters, including claims intimations, changes to your practice and general queries.</p> <p>You can contact The Law Society of Scotland Team as follows:</p> <p>Email: <a href="mailto:masterpolicyteam@uk.lockton.com">masterpolicyteam@uk.lockton.com</a> Phone: 0131 345 5599</p> <p>For more information about Lockton, please visit our website: <a href="http://www.locktonlaw.scot">www.locktonlaw.scot</a></p>

**Who are The Master Policy Insurers?**

Since the inception of The Master Policy in 1978, the Lead Insurer has been Royal & Sun Alliance (RSA).



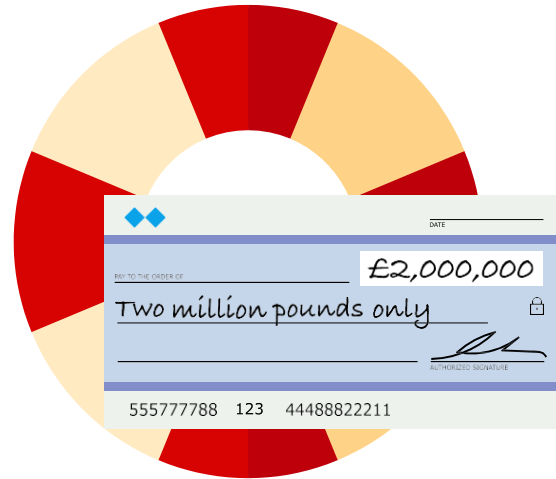
There are also a number of other Co-Insurers. For 2019/20, the Co-Insurers are:

The logo for STARR COMPANIES, with "STARR" in a large, blue, serif font above "COMPANIES" in a smaller, blue, serif font.	The Allianz logo, featuring the word "Allianz" in a bold, blue, sans-serif font next to a circular emblem containing three vertical bars of varying heights.
The logo for antares, featuring a network of black dots connected by thin lines, with the word "antares" in a lowercase, black, sans-serif font below it.	The logo for ARGO INSURANCE, featuring a stylized blue and white arrow pointing right, followed by the words "ARGO INSURANCE" in a blue, sans-serif font.
The logo for EVEREST, featuring a stylized mountain peak with a red flag on top, above the word "EVEREST" in a blue, serif font.	

## How much cover does The Master Policy provide?

The Master Policy provides cover on a “claims made” basis. That is, the amount of cover which applies is that which is in place at the date a claim or potential claim (“a circumstance”) is intimated to Insurers.

**Currently the Master Policy limit of indemnity is £2,000,000** (any one claim). This is your “primary” layer of insurance.



Many firms purchase additional layers of “Top-Up” cover to increase their level of cover beyond the £2million offered by The Master Policy. You should determine an appropriate level of cover for your firm, based on the nature of the work you undertake, remembering that claims can arise several years after the work giving rise to the claim was undertaken. Contact The Master Policy Team at Lockton for further guidance on your individual requirements.

Top-Up cover which dovetails seamlessly with your Master Policy cover can be arranged through Lockton. You can purchase this at the same time as your Master Policy, without the requirement to fill out any other forms. You can also purchase “Top-Up” cover at any time during the year.

Top-Up cover can be purchased in £1million increments and is typically split into “layers”, as follows:

Professional Indemnity Layer	Total Limit of Indemnity
Master policy	£2,000,000
Top-up Layer 1	Up to £5,000,000
Top-up Layer 2	Up to £10,000,000
Top-up Layer 3	Up to £25,000,000
Top-up Layer 4	Up to £50,000,000
Top-up Layer 5	Up to £100,000,000
Top-up Layer 6	Up to £200,000,000

Please note: Top-Up cover is not available for individual transactions

## What is covered?

The Master Policy provides cover for any civil liability arising out of “business... customarily...transacted by solicitors in Scotland”. This is one of the widest basis of cover available to any UK professional firm.

### Cover for activities undertaken by a Solicitor

Almost any type of work is covered by the Master Policy, as long as it is customarily undertaken by solicitors in Scotland, and undertaken by the solicitor concerned, in their capacity as a solicitor in the firm in question.

Activities Covered by the Master Policy include:
Executor
Trustee
Judicial Factor
Guardian
Power of Attorney
Director (legal advice only)
Company Secretary
Treasurer
Auditor
Liquidator
Administrator/Receiver
Mediator or Arbiter
Locum
Consultant

Please note: This summary is for guidance purposes only. Please consult your policy or speak to your Lockton broker for details of full terms and conditions of cover.



## Types of Claims covered by The Master Policy

Claims can arise from a variety of causes and the majority of these are covered under The Master Policy. However, some claim types have specific cover conditions or sub-limits applied and there are also a small number of exclusions. Lockton can readily clarify any policy cover queries you may have.

### Types of Claim Covered by the Master Policy

Fraud/Dishonesty – loss of clients' money  
*subject to there being an innocent Principal*

Bank failure – loss of client monies  
*only where the practice has been negligent*

Loss of Documents to £250,000  
*subject to conditions re electronic document storage*

Defamation

Court attendance costs  
*in relation to claims against the Practice – see rates in Certificate of Insurance*

Undertakings  
*different self-insured amounts may be applicable*

England & Wales work

Other Foreign Work (excluding work undertaken in the USA or Canada)  
*subject to demonstrably competent test*

### Major Exclusions

Fraud/Dishonesty – loss of firm's own money

Personal financial guarantees

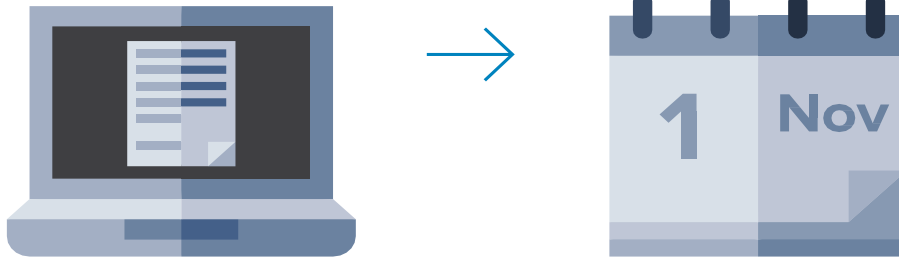
Work undertaken in the USA or Canada

Regulatory fines

Liabilities more properly insured under other policies

Please note: This summary is for guidance purposes only. Please consult your policy or speak to your Lockton broker for details of full terms and conditions of cover.

## Master Policy Renewal Process





Lockton has introduced a secure client portal which provides any-time access to your insurance documentation, alongside a wealth of practical guidance and CPD learning modules. It also contains your online proposal form for simpler and quicker renewal of your Master Policy, Top-up cover, Cyber Liability and a wide range of other insurances.

The Master Policy renews on 1 November annually. We will email the registered Master Policy Primary Contact in each firm in advance of renewal with a link to the proposal form to complete.

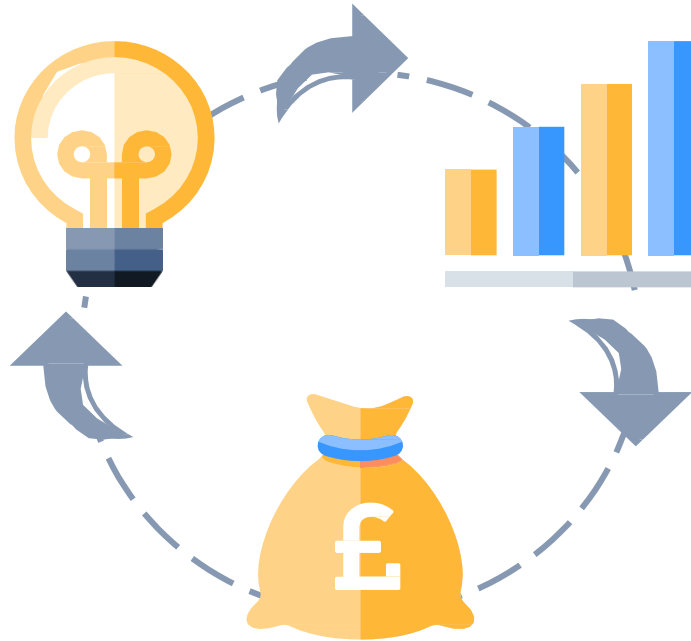
**Our online renewal process (which will be pre-populated for this year) offers the following benefits:**



## Notifying Claims to Lockton

<p><b>What to notify and when</b></p> 	<p>You should intimate claims (or circumstances which could give rise to a claim) as soon as possible. A “claim” is most obviously identified by the service of legal proceedings, but can equally be made by a letter of demand, or orally.</p> <p>Similarly, a potential “circumstance” can be an issue that you, or someone else within the firm, has identified that has not yet been raised as a claim by the client concerned.</p> <p style="text-align: center;"><b>“When in doubt, notify”</b></p> <p>If you are unsure whether or not to notify something, speak to us, or err on the side of caution and complete our claims notification form. Remember that notifications with a nil reserve do not impact on your record for premium purposes, and keeping a comprehensive record of potential issues can help you track patterns of behaviour and identify systemic problems early. Late notification, in contrast, can give rise to problems for practices regarding the handling or settlement of a claim. Insurers are entitled to apply a number of special conditions, including reducing the amount payable in settlement of a claim, where your delay in notifying has prejudiced the handling or settlement of the claim.</p> <p>If you have not disclosed material information or have misrepresented facts to Insurers you may be required to pay an additional premium, which can be applied retrospectively. It is important to note that “circumstances” (ie. not formal notifications of known claims) are not taken into account for premium calculation purposes.</p>
<p><b>How To Notify</b></p> 	<p>Log in to your secure client portal, and complete the short claims form, attaching any relevant documents. When you submit the notification in this way, it is automatically logged and acknowledged and will facilitate a quicker response time.</p> <p>If, for any reason, you are unable to complete our online notification form, you can email <a href="mailto:MasterPolicyClaims@uk.lockton.com">MasterPolicyClaims@uk.lockton.com</a> explaining the factual background and include all relevant correspondence.</p>

## Starting a Practice



Please contact us as early as possible when you are considering starting a new practice. You should also contact the Law Society. They have provided guidance on Starting a New Practice which you may find helpful.

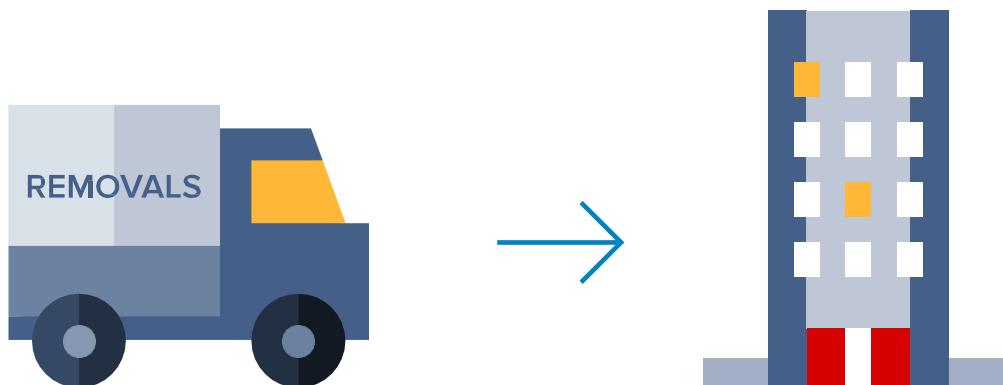
Be aware that your Master Policy cover must be in place before you can start practicing, therefore, you will need to complete a New Practice Proposal form.

Contact us and we will set you up with a username and log-in to access your online proposal form. A paper version can also be provided.

We can also assist you by providing free access to a range of useful templates, checklists and guidance which can help you start your practice on the right footing.

We also have a “Starting a Practice Planner” to download in our Resource Centre.

## Changes to your Practice



The Insurance Act 2015 requires Practices to disclose all material information (defined as any information that would influence an Insurers decision regarding the terms of that insurance).

If you have not disclosed material information or have misrepresented facts to Insurers you may be required to pay an additional premium, which can be applied retrospectively. It is important to note that “circumstances” (ie. not formal notifications of known claims) are not taken into account for premium calculation purposes.

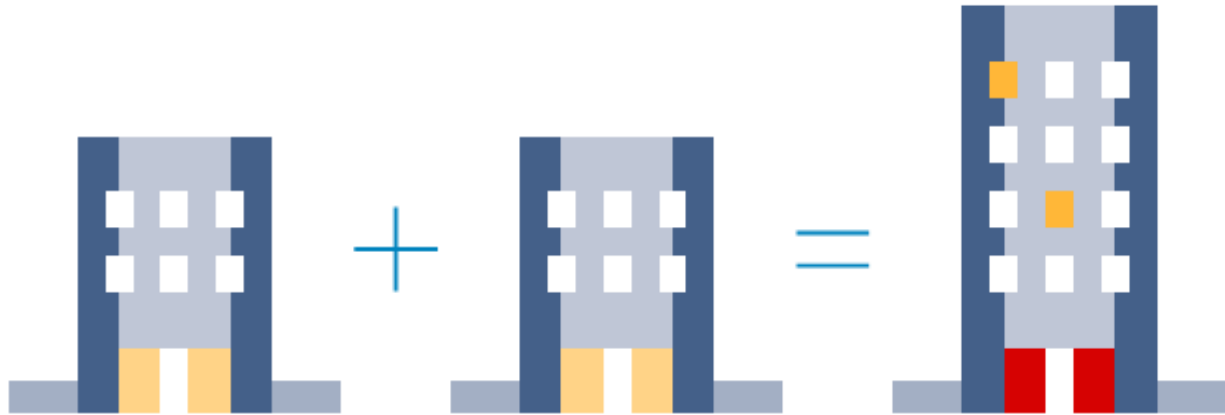
If there are material changes to your Practice during the course of the year, we need to know. Such changes include:

- changes to Partners/Principals;
- conversion to an LLP, Ltd Co, or ABS;
- addition/removal of any JV partnerships, trading styles, etc
- opening of new offices - particularly if overseas
- change of address
- change of key personnel (Master Policy Primary Contact; Claims Contact; Risk Management Contact)
- anticipated mergers, break-ups, or dissolution of your practice
- significant change in anticipated fee income or work-types
- withdrawal of criminal court only undertaking

Many of these changes can be instructed directly online, using the Update Details section on the client portal. You should provide us with updated details as early as possible to ensure that you comply with your obligations under the Insurance Act.

Please note: There is no increase in premium due or rebate of premium payable for changes in the number of Principals or changes in anticipated fee income during the policy term.

## Mergers, Acquisitions and De-mergers



Mergers, acquisitions and de-mergers can all have significant implications for a Practice's cover under The Master Policy. The key question to be addressed is whose Certificate of Insurance will provide indemnity in the event of a future claim arising out of the past activities of a Practice.

Practices can opt to take on the liabilities of a past Practice. If an acquiring Practice does not assume responsibility for insuring the past activities of a merging Practice, then the Practice will cease and go into "run-off" (this is the ongoing cover provided under The Master Policy for all Practices that have ceased trading. Please contact us for more information about the terms and conditions applying to run-off cover). There may be a charge for this run-off cover.

The financial implications of either approach are dependent on the specific circumstances in each case. Practices should therefore contact us at the **earliest opportunity** to discuss the implications of any potential merger, acquisition or de-merger. Your enquiry will be treated in strictest confidence.

Please note the impact of claims in the event of a de-merger. You will have to decide on the:

- allocation of premium contributions record
- allocation of claims/circumstances record
- allocation of future claims/circumstances

This will have to be agreed as between the Principals of the de-merging Practice. Please contact us for more information and guidance.

## Closing Down/Retiring



If you are considering retiring/closing-down your practice it is important to start planning early. Please contact us as soon as possible, to allow time to discuss the options and the potential implications for your Master Policy cover and premium.

If you do not anticipate there being a “successor Practice”, the cover for your Practice will go into “run-off” on the date of cessation. There may be a charge for this continuing run-off cover. We will require ongoing contact details for any claims or other queries that may arise. We will also continue to provide a certificate of cover annually.

We can also provide you with guidance on Succession Planning and Practice issues arising from retirement.

## Lockton's Master Policy Team

The core team comprises:



**Lorraine Boyle**  
Managing Partner – Profin Regions  
0131 345 5552  
lorraine.boyle@uk.lockton.com



**Mark Gray**  
Claims Director  
0131 345 5557  
mark.gray@uk.lockton.com



**Robert Searil**  
Client Director  
0141 226 8782  
robert.searil@uk.lockton.com



**Gail Cook**  
Client Executive  
0131 345 5571  
gail.cook@uk.lockton.com



**Sheena Dailly**  
Client Executive  
0131 345 5553  
sheena.dailly@uk.lockton.com



**Jo Kidd**  
Account Handler  
0131 345 5551  
jo.kidd@uk.lockton.com



**Jennifer Cummings**  
Client Executive  
0131 345 5561  
jennifer.cummings@uk.lockton.com



**Matthew Thomson**  
Client Executive  
0131 345 5573  
matthew.thomson@uk.lockton.com



## Contact Us

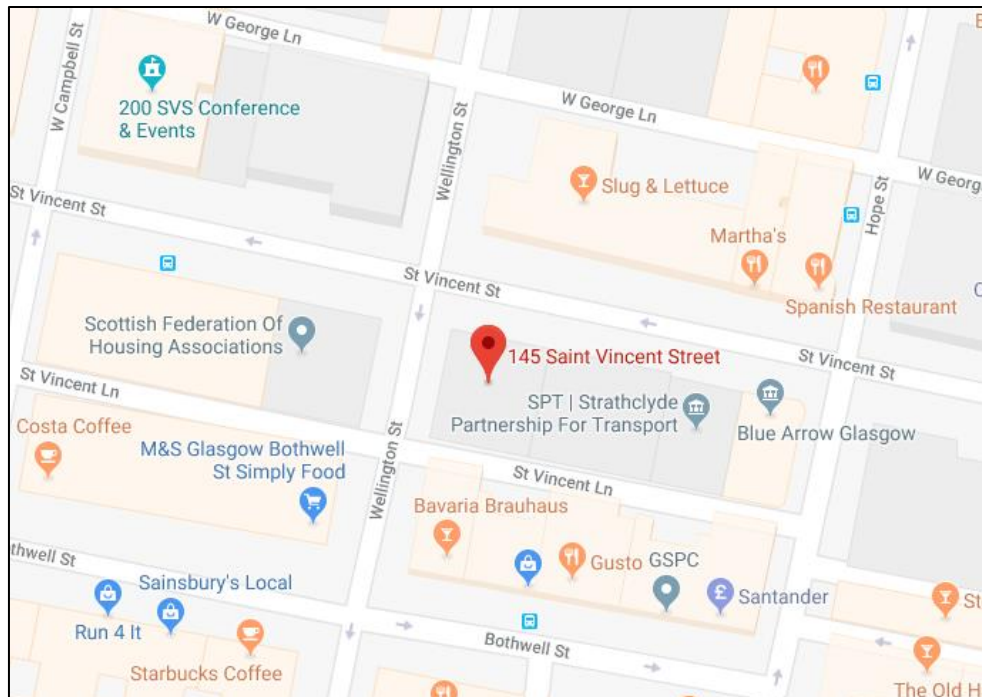
Lockton's Master Policy Team is based out of our Edinburgh and Glasgow offices:

### Edinburgh:



22 Rutland Street, Edinburgh, EH1 2AN

### Glasgow:



5<sup>th</sup> Floor, 145 St Vincent Street, Glasgow, G2 5JF

Master Policy Switchboard: 0131 345 5599  
Email (claims notifications): [masterpolicyclaims@uk.lockton.com](mailto:masterpolicyclaims@uk.lockton.com)

## **OUR MISSION**

To be the worldwide value and service leader in insurance brokerage and risk management

## **OUR GOAL**

To be the best place to do business and to work



Lockton Companies LLP  
Authorised and regulated by the Financial Conduct Authority. A Lloyd's broker.  
Registered in England & Wales at The St Botolph Building, 138 Houndsditch,  
London, EC3A 7AG. Company No. OC353198.

[www.lockton.com](http://www.lockton.com)