

Understanding Professional Indemnity Insurance (PII)

A How to Guide to maximise the
benefits of an improving PII landscape



The purpose of this guide is to help legal practices enhance their presentation and effectively leverage the advantages offered by an improving Professional Indemnity Insurance marketplace.

As we approach the renewal season, there is cause for optimism amongst well-run firms with regards to PII market conditions. The vast majority of leading participating insurers have an appetite to actively grow their respective portfolios. Furthermore, new capacity is set to enter the marketplace. This means that practices with a desirable profile, if they follow this guidance, should have even more insurer options available to them.

Regardless of the insurance market conditions, we know that PII remains one of the single biggest costs that a legal practice is faced with annually and cannot be compromised as it is a mandatory requirement of the regulator. However, with the rising costs associated with running a business, it is important to tackle one of your biggest spends effectively. To capitalise on the improving insurance market conditions, our recommendation would be to commence the renewal process early and most importantly, take the time to prepare a quality presentation that provides a positive reflection on your practice.

In England and Wales, April and September mark significant renewal seasons, with the latter attracting an enormous two-thirds of the legal profession. So, whether you're navigating the springtime rush or approaching the autumn deadline it's important to note you will be vying for the attention of underwriting teams along with a substantial number of your peers.

Being prepared with a well-crafted application is key to standing out and securing the optimal coverage for your need.

Your renewal presentation is effectively your shop window to insurers, so it is imperative that you use it effectively. Whilst no underwriter wishes to read your entire office manual, they are keen to learn more about your practice to provide them with the confidence and evidence for their file to deploy their company's capital.

This How to Guide provides some guidance on how you may wish to present your practice for insurers consideration.



PRESENTATION

Make your firm stand out. A well-presented and complete proposal form together with supporting information will enable your chosen representative(s) to negotiate better terms for your practice.

Ensure that you:



Complete your proposal form with due care and attention (as if you were tendering for a piece of business or completing a passport form)



Make the first impression a positive one to ensure that you start off on the right footing with your potential insurer



Insurers have refused to quote based upon poor presentation. E.g. illegible handwriting, coffee stains, inks blots etc.

THE PROPOSAL FORM - INFORMATION AND DISCLOSURE

It is perfectly acceptable and encouraged to add additional pages to a proposal form and make clear reference to them under the relevant question.



Provide as much information as possible and answer all applicable questions in the proposal form.



Ensure the breakdown of work types totals 100% and is listed in the correct category.



You must sign and date your proposal form and disclose all required claims documents.



Any reports following visits or investigations from the Regulators (SRA, LSC or OSS etc) must be included. If a solicitor has restrictions on their practicing certificate, you must provide this information with confirmation of how your practice ensures that these restrictions are met.



Up to date claims information is a fundamental component of an underwriting assessment (See claims section).



For a practice that has been trading for less than 3 years, provide a business plan and CVs of all solicitors.

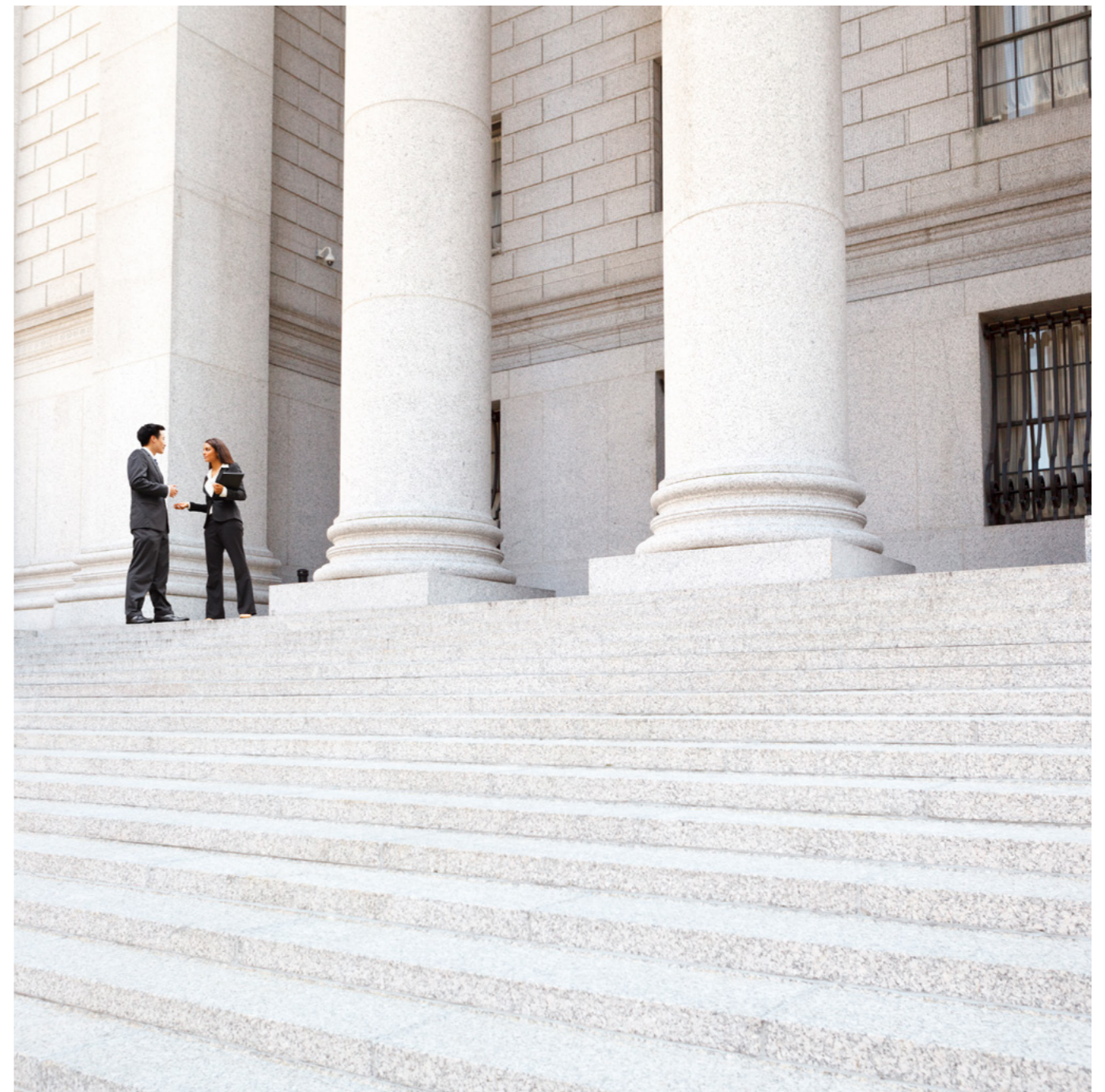


Traditional risk registers and governance processes can help prepare for rapidly evolving risks only if they are reviewed, adjusted, and updated more frequently to reflect a changed risk exposure. Managing risk velocity effectively will require a combination of management, technology, leadership, and process changes.

CLAIMS

Insurers will require up-to-date claims summaries. Please note that obtaining these summaries can be time-consuming, so it is crucial to request them well in advance of the renewal negotiations.

If your practice has experienced claims, taking time to fully describe the nature and history of those claims could prove to be the most valuable contribution to an effective presentation. We encourage you to provide a narrative of the situation, along with detail of what measures you have implemented to prevent their repeat. Please note that merely stating that the fee earner responsible for the claims is no longer with your firm may not meet the expectations of insurers, and such a response may be viewed unfavourably.



COMPLEMENTARY INFORMATION

We encourage you to use this opportunity to help your chosen representative(s) educate insurers about your firm, what you do, and how you do it. Consider the fact that specialist PII underwriters are not solicitors. Although they will understand risk and the ramifications of any mistakes, they may not understand the intricacies of your specialism entirely. At the same time, no two practices are identical, so articulate why you are better. As they say, perception is not always reality – an underwriter could form an opinion which is incorrect. And once opinions are formed, they are much harder to change.

Examples of what you may wish to include within your complimentary note are as follows:

- An overview of your firm - introduce your practice, providing a concise summary of its history and how it has evolved to its current position. Emphasise your practices standing in the market, both regionally and nationally.
- Management and structure of your practice, including any relevant departmental structures.
 - Include who is responsible for risk management within the firm.
- Clients and work – provide an overview of the work undertaken, your typical clients and values involved. Articulate the scope of your services, highlighting what your practice does and doesn't cover as a service.
- Financial position – Insurers may ask for your latest report and accounts to evaluate your financial health. Include this information to demonstrate your financial standing.

APPROACH TO RISK

- What case management or workflow systems do you use within your practice
- Client on-boarding
- What is the process for monitoring the performance of new and existing partners and fee earners?
- What form does file auditing and peer review take within departments?
- What is the firm's culture with regards to employee wellbeing?
- With many firms now adopting a hybrid working environment, how are staff supervised and are continual peer reviews undertaken?

FUTURE PLANS

- What is your strategy in the near-term?
- Do you anticipate any significant changes over the next 2 years?

Inconsistencies between your website's advertised areas of law and the information provided in the proposal form can discourage underwriters from offering favourable terms. Ensure alignment between your website, areas of practice, and the proposal form.

IMPORTANT NOTE

Be aware that a prudent underwriter will undertake their own due diligence. They will look at a variety of open sources and review all relevant information that is readily available such as the Law Society and SRA websites. They will cross reference these with your proposal form and disclosures.

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Insurers understand that websites primarily serve the purpose of promoting enquiry, however excessive elaboration on your website can have a negative impact.

We would also suggest reviewing images on your website, ensuring that these reflect the work you undertake specifically. For example, if you are a practice based in a rural setting and your clients are based in your locality and have no relation to cities and high-rise buildings, perhaps having imagery of a city landscape needs revision as you are giving an impression of your practice that is not entirely accurate.

We would expect underwriters to look at the review pages too, whether this be Review Solicitors, Google Review, Trust Pilot, Feefo etc. Please don't be too alarmed by this - Underwriters do recognise that engaging with a legal practice is generally done so at an emotive time. They will appreciate that some reviews may not be complementary, they do however like to see active engagement with reviews, regardless of the specific content of the review itself.



SANCTIONS

The persisting conflict between Russia and Ukraine, as of early 2022, continues to introduce complexities in the insurance market. Insurers remain concerned about the sustained global economic impact of the war and how this negatively amplifies risk. Operationally, the ongoing global sanctions continue to put pressure on insurers to be compliant.

These pressures are felt by the buyers of insurance across the board, with a greater level of information being requested as to the nature of operations. In the case of law practices, insurers began asking for detailed information, including client profiles, particularly those with notable exposures to Russia, Ukraine, or Belarus. This has now developed into insurers asking specific questions regarding all countries subject to UK or US Sanctions - be prepared for these.

The war between Russia and Ukraine brought further complications across the insurance market in early 2022. Insurers had concerns around the global economic impact of the war and how that would negatively create amplified risk. Operationally, the global sanctions meant there was more pressure on insurers to be compliant.

HOW TO ACCESS THE PII MARKET EFFECTIVELY

Carefully select your representative(s) and avoid scattering your presentation across too many sources, as it can diminish the positive impression you've worked hard to create for your practice. Keep in mind that leading insurers often operate on a limited panel basis, which means your representative may not have direct access to all active participating insurers. This could potentially hinder your ability to secure the best possible solution for your practice.

Before selecting your chosen representative(s), we would recommend establishing which insurers that they can approach directly on your behalf, and whilst doing so, seek confirmation from your representative(s) that these insurers also have an appetite specifically for a practice of your size and profile.

You will not benefit from an improving PII landscape if you inadvertently exclude half of the active participating insurers. Direct access is important so that your message does not get diluted or lost in translation due to there being unnecessary links in the chain between you and the insurers.

TIMING

Complete your proposal form in good time, for your chosen representative(s) to undertake a thorough exercise on your behalf. Our recommendation would be to approach insurers with a quality presentation 6-8 weeks in advance of your renewal date, preferably 8 weeks if you wish to finance your premiums, as the finance providers due diligence processes are now much longer.

CHECK LIST

Are all the questions on the proposal form completed?

Have you enclosed all the relevant documentation required to support the presentation?

Have you disclosed all information?

Have you articulated the risk management controls and systems that you have in place?

Is the presentation clear, legible and well presented?

Have you checked which insurers that your representative has direct access to and what their appetite is for business?



LOCKTON OVERVIEW

Lockton is the world's largest independent insurance broker.

What makes Lockton stand apart is also what makes us better: independence.

Lockton's private ownership empowers its 10,750+ Associates doing business in over 140 countries to focus solely on clients' risk and insurance needs. With expertise that reaches around the globe, Lockton delivers the deep understanding needed to accomplish remarkable results.

Our 97% client retention rate speaks for itself.

10,750⁺

Associates

97%

Client retention rate

27%

Organic growth in 2022

65,000⁺

Clients in over 140 countries

130⁺

Offices worldwide

\$3.1bn

Global revenue

\$65bn⁺

Premiums placed

90%

Reinvestment due to our private ownership

\$17m⁺

Charitable donations to more than 250 organisations

GET IN TOUCH

To learn more about any of the information above please do not hesitate to [get in touch](#) with us.



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