



Law Matters Newsletter

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Easy as PII?



In 2008 many firms had difficulty with their PI cover. Insurers closed their books early creating problems for those submitting late proposals. For many, premiums went up, both due to the position of the market, and because the Credit Crunch exposed conveyancing errors and fraud.

This led in 2009 to a Practice Note from the Law Society, as well as discussion in the legal press. All firms should be aware of potential difficulties. That said, insurers are running solicitors cover at a loss, and current returns on investments are low. This does not suggest low premiums. One bright spot is the suggestion that Allianz, the German insurance giant, intends to enter the market.

What to do

1. **Broker** Choose a specialist Professional Risks broker, and check that they have access to the every insurer. Use only one, so that underwriters do not have to deal with multiple applications. Make sure the broker is prepared to come to see you to get to know your firm. It is your job to manage the process, so keep in regular contact.
2. **Do it Now** The market opens on 1st July, so do not leave it to the last minute. Manage the internal information gathering, bearing in mind that many people will be on holiday. Many practice management systems can be set up to produce information at the touch of a button. Do it – but check the information is accurate.
3. **Presentation** Pretend you are making a submission to a judge. Give underwriters what they expect to see in a readable and understandable form. Paginate it, index it, put it in a binder and use dividers. Demonstrate that your firm is professional.
4. **Risk** is the basis of insurance. Explain your risk management procedures. In particular if you have claims or circumstances, spell out what you have learned and the steps taken to prevent repetition.
5. **Lexcel** only directly results in a discount from one insurer. However, accreditation does mean that a firm has proper risk management, supervision and complaints handling procedures, which should all be attractive to underwriters. This all should reduce claims in the long term, although the actual claims record is a matter of fact.
6. **Claims** Trawl the firm for claims and circumstances, and ensure that everything is declared both on submission of the proposal and on placing the cover. For existing claims, ensure that all reserves/valuations have been reviewed and are accurate.

This note is written as a general guide only, and is not applicable to every firm or circumstance. It should not be relied upon as a substitute for specific business, medical or legal advice.

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