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Law Society

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THE PROFESSIONAL INDEMNITY INSURANCE RENEWAL EXPERIENCE OF 2020

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It was fair to say that the October Solicitors Professional Indemnity Insurance (PII) renewal season was like no other this year.

Given the global pandemic this was no surprise. Insurers were already cutting back on their appetite in the 2019 October PII season and this continued in April this year.

In recent years law firms have enjoyed a competitive PII market with new entrant insurers and established insurers within the PII area keen to renew and gain new policyholders, resulting in a far easier time for law firms to obtain competitive premiums.

Unfortunately as we enter 2021 we do not expect to see an influx of new insurers entering the market and existing insurers are likely to continue tightening their risk appetite, which will be no surprise given the global economic uncertainty.

Law firms will have to demonstrate more than ever why they are a good, well managed risk.

It is difficult to determine what the actual average premium increase was this year, but what we did see from established insurers were rate increases of a minimum of 15% with one asking up to 30%.

Increases in premiums can be governed by a law firms individual circumstances such as claims history, risk and compliance history and types of work undertaken so I am sure we will hear of a smaller I increases for some and a far larger increase for others.

I also expect a number of stories to come out over the next month or so of some law firms being unable to secure renewal terms in October.

Insurers have either added specific Covid 19 questions within their proposal form or have issued a separate questionnaires this year. Ask your broker for this information early so you can start to the process and prepare in good time.

It is not advisable to leave it till a month before renewal. Insurers are also showing increasing concerns relating to certain areas of work, particularly work for developers on specific developments and/or off plan developments where a large deposit is paid over to the developer.

Examples of new questions being asked are;

- How are you managing remote working and staff supervision?
- Are you still able conduct file reviews and how has this changed within the remote working environment?

- How are you managing client expectations and face to face meetings?
- How are you managing remote working within your cyber security?
- Full details of a firms financial accounts for the past three years including assets, profits, current liabilities and dividends.
- What financial impact has there been within the business and how are you managing to mitigate the effects to the business?
- Has the firm acted in connection with any investment schemes such as student pods, hotels, crypto currency and wine investments?
- Has the firm carried out any transactions involving overseas property or developments or overseas investors on UK properties and/or developments?

The pandemic has highlighted the issues faced by the qualifying insurers when writing solicitors PI in the non-cancellation clause written within the policy and the onus on the last insurer providing run off insurance. It is no surprise that underwriters this year have been far more cautious in their approach to renewing business and in particularly looking for new business.

I can only envisage this becoming even starker in April 2021 and it is therefore vital that law firms engage with their insurance broker and insurers earlier to have sufficient time to deal with any issues that may arise during the renewal process.