

2010 Solicitors PII Market Overview

There has already been a lot of broker contact with solicitors advising that there are going to be 100% increases in the premiums required by insurers this year. This isn't strictly true for those firms which are well run, show good risk management and have an exemplary claims record.

All those who are currently insured with Quinn are those who are most likely to see these large increases in premium, simply because over the past few years, Quinn have quoted rates lower than the rest of the market.

The other major factors are the Assigned Risk Pool and the depth of the cover that is provided by your policy, which is way in excess of professional indemnity covers for other professions. All Qualifying Insurers have an agreement with the SRA that whatever percentage of the open market they write in terms of premium, they too have to cover the Assigned Risk Pool claims to the same percentage. In years gone by, this has not proved to be an issue as there have been very few firms in the Assigned Risk Pool. However in the past few years, the number of firms has increased but more especially the claims. There are a lot of different figures being circulated into the public domain and suffice to say, they don't make good reading.

Hiscox and Catlin have decided to withdraw from the market. The main reason being the fact that for 2008/2009 the estimated Assigned Risk Pool losses are around £45m, which roughly equates to 20p in every pound of premium collected. Travelers advised last year, that 3% of the premiums they charged, were for their exposure to the Assigned Risk Pool. The reason why Qualifying Insurers are so nervous this year, is that the 2009/2010 claims estimates in the ARP are already no better than 2008/2009.

A Qualifying Insurer at present, cannot repudiate a claim for non payment of premium or non-disclosure on the proposal form. No other professional indemnity policy is worded in such a way. For premiums to go back down to reasonable levels, the minimum terms and conditions of the current policy wording require amendment and further changes to the way the Assigned Risk Pool is operated. In other professions, if you can't obtain cover, you can't trade.

Qualifying Insurers all invariably have an amount of premium they can underwrite, whether it be £5m, £10m and in a lot of cases more. The Qualifying Insurers will first want to renew as much of their renewal book to ascertain what capacity they have left for new business. No insurer is going to allow you to have a quote for a period of more than 30 days. This is not a 'bully' tactic; a Qualifying Insurer cannot have £25m of quote acceptances on the 30th September 2010, when they only have a £20m premium capacity. If you don't take them up on their quotation, they will use your premium to quote another firm.

Your broker has to be quite candid this year. They could obtain renewal terms for you within a week of submitting your 2010 proposal form. However if that Qualifying Insurer then gives you 14 days to accept the quotation, there is not going to be another Qualifying Insurer in a position to offer you an alternative quotation until at least mid August, for the capacity reasons previously stated.

Despite all this, remember one thing. Qualifying Insurers this year will need to retain as many of their renewal clients as possible. If they don't, they will see their premium income drop but probably an increase in the monies they have to pay to the Assigned Risk Pool.

Please view our PI Crib Sheet on our website to guide you through the 2010 PII market

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