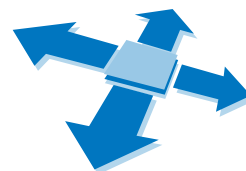


MARKET OVERVIEW

2011-2012

14th JULY 2011



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So what's going on?

However ridiculous this might seem, a lot of clients have asked us this question. Very simply, the SRA have now responded to both the Qualifying Insurers and the Association of British Insurers (ABI) and their concerns over the Assigned Risk Pool, regarding its long term effect for Qualifying Insurers and how it deals with firms who find themselves within it. The ARP will be scrapped as from 2013, meaning many firms should no longer be contributing a proportion of their insurance premium to pay for the claims generated in the ARP, where very little premium is generated from the firms within it.

You also need to appreciate the market from the Qualifying Insurers perspective. Over the past eleven years, there have been a lot of insurers who have continued to provide cover each and every year, and those who haven't. The Qualifying Insurers who have been actively underwriting risks since SIF in September 2000, are to be blunt at saturation point with their claims costs. No other industry has an ARP quite like the solicitor professional indemnity market i.e they are responsible for claims dating back so many years, particularly when they have no control over how those claims are handled. It's a very unique situation, shortly to change. But what you have to bear in mind going forward, rather than a Qualifying Insurer being responsible for a proportion of the risk, they are now from 2013 going to have to cover it in it's entirety, which means if they choose not to renew your cover and give you 6 months notice at the beginning of 2013, and you can't find alternative cover, then they will have to provide you with run-off cover, which means their exposure to loss is far greater.

You will therefore see a lot of longstanding Qualifying Insurers potentially asking a lot more questions and you may also see large premium differences in their quotes compared to a new insurer entering the market. The one thing you can be sure of with a longstanding insurer is that renewal terms, no matter the premium should always be available in the following year, unless your claims experience has deteriorated significantly.

Several insurers are offering 'early renewals' subject to various conditions. If you're happy at your current premium levels, go for it, but, be warned several Qualifying Insurers aren't asking for updated claims summaries, so they don't know the position and potential cost of the claims you have notified to previous Qualifying Insurers. Great short term, but if you have reported claims in the past that are now coming to fruition in terms of payments being made and your Qualifying Insurer changes it's underwriting stance, be prepared for a substantial increase in premium when trying to source alternative cover in years' to come. With the changes in 2013, this is a very important consideration.

We are now in the second week of July, and to be frank from the email and letter marketing campaigns we have seen from insurance intermediaries and the like, you aren't been told a great deal as regards the 2011 renewal season, that's because there isn't a huge amount to tell. Insurers and insurer schemes via specialist brokers are all keeping their cards very close to their chests! Why you may ask, simply because some have secured new deals and a lot are still trying to.

So why are Solicitorassist different?

We look at the long term as well as the short term. We will happily give you the different options. In the past five years, the solicitor's PII market has been purely premium driven with the likes of Quinn Insurance and others. This year is not the year to listen to a salesman telling you what a great deal they have done for you with no care for whether the Qualifying Insurer is still here in 2012. This year is about talking to the likes of ourselves who understand where the PII market is and more importantly where it is potentially going.

We attach our annual crib sheet as at now, but this will no doubt be changing in the next few weeks when a true picture of the Qualifying Insurers emerge, i.e what the existing markets are looking for in terms of premium and the new Qualifying Insurers who are underwriting in conjunction with specialists who understand the market and what they have to offer.

www.solicitorassist.com

enquiries@solicitorassist.com

Tel: 0845 338 6080