

**SOLICITORS REGULATION AUTHORITY PROPORTIONATE REGULATION:  
CHANGES TO MINIMUM PROFESSIONAL INDEMNITY INSURANCE COVER  
FURTHER OBSRVATIONS/EVIDENCE OF BIRMINGHAM LAW SOCIETY**

**30 SEPTEMBER 2014**

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In this response we are limiting our observations to two elements in the consultation. This response is set out in bullet points rather than extended narrative. The Society respectfully refers the SRA to its initial response on all matters raised in the paper.

**Q1 Reducing the compulsory cover to £500,000.**

The Society has conducted some further inquiries into this important issue.

- There is little evidence of a thirst for the proposal amongst the profession;
- There is a wide choice of insurers who offer PII cover and there is no evidence that there is anything other than a healthy competition between providers. The choice has widened ahead of the current renewal with three 'A rated' insurers joining the market;
- In arriving at a quotation it is clear that insurers pay particular attention to the proposer's claims' history and the exposure to risk. So far as the latter is concerned insurers have indicated that they already differentiate between, for example, a practice specialising in criminal or mental health work where the exposure is relatively low and a practice conducting domestic conveyancing where in contrast the exposure is relatively high<sup>1</sup>;
- In the competitive market with the £2M level of compulsory cover it is understood that it is possible to obtain very low quotations and possibly for as little as £1,500<sup>2</sup>;
- The proposal could have the unintended consequence of penalising retired owners/partners of the solicitors' practice through no fault of their own. If an owner/partner retires prior to the introduction of a reduction in the compulsory cover his exposure is increased through no fault of his own. The terms and conditions imposed by insurers governing the compulsory scheme differ from those applying to top-up and run-off cover and are not as favourable and 'all-embracing'.

**Q5 Limiting the compulsory cover requirements to individuals, small enterprises, charities and trusts.**

- The Society has nothing further to add here save to draw attention to what is probably the obvious point that the character and size of an SME can change literally

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<sup>1</sup> Insurers appear to be particularly critical of the ability of the same solicitor to act on behalf of both borrower and lender and the number of claims that arise out of conflicting interests which are either undetected or ignored.

<sup>2</sup> It has not been possible to verify this but the information came from one of the market leaders.

overnight e.g. a takeover. The owners are quite likely to have been clients of the practice for a considerable time, probably years. Is it right that, in the absence of any additional cover which the solicitor may have taken out, the client has lost his protection? No doubt there are other similar scenarios which would only serve to undermine the reputation of solicitors as people with whom to do business, resulting in a leaching of valuable clients to other professions and bodies.

To conclude, the Society is concerned that in an increasingly competitive legal market the reputation that Solicitors have gained over the years that the client will always have his remedy if something goes wrong is being jeopardised by these proposals which are speculative lacking in hard evidence and robust research. With far reaching changes of the kind envisaged by these proposals it would be preferable if the SRA were to engage in the first place with the profession i.e. along the lines of a green paper exercise.



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**Eileen Schofield**

**President**

**Birmingham Law Society**

**30 September 2014**