



Renewing your firm's insurance – tips from a market broker



Martin MacHale explains the process of renewing your firm's Professional Indemnity insurance – from the perspective of an underwriter. As your law firm comes to renew its Professional Indemnity (PI) insurance it is important to understand what influences your insurers when they are pricing risk. Understanding the underwriting process can help your practice achieve the best possible outcome when renewing.

YOUR RENEWAL PROPOSAL – WHAT THE UNDERWRITER IS LOOKING FOR

1. COMPLETE YOUR PROPOSAL FORM WITH CARE

As basic as it may seem, if you provide a properly completed proposal form, an underwriter instantly regards your firm in a more positive light. It may feel like a misallocation of time, but this can have a material effect on the premium charged by an underwriter.

"Remaining open and honest with them and your broker is vital"

More often than you may realise, law firms complete these forms in a hurried manner, by hand, at the end of a day – a zero becomes a nine and 4.5% becomes 45%. At least 70% of law firms still renew their PI insurance on 1 October each year. Underwriters are short of time during this busy period, so if they have to review the same proposal form multiple times, this will agitate the insurer, slow down the process and lead to frustration for your firm.

2. EXPLAIN ANY CLAIMS

Despite a belief that they shouldn't, claims do occur. If they didn't, the Solicitors Regulation Authority (SRA) would not require firms to have cover in place in order to practise. Underwriters understand that even the most careful firms will have claims and notifications. This is a fact of professional life. However, continued claims from the same department can be hard to explain.

If your firm takes the time to explain why a claim arose and which actions it has taken to prevent this happening again, this can influence your underwriter in a positive way.

Often a firm that has gone through a challenging experience, and developed its risk management as a consequence, is a better risk for the future. Take the time to give a full and complete explanation – go beyond the circumstances and tell the underwriter how your firm has improved as a result.

3. UNDERSTAND RISK IN DIFFERENT PRACTICE AREAS

Certain types of work remain high-risk from an underwriting perspective. It will come as no surprise that in an economic downturn firms with a high level of conveyancing face more claims and, as a result, increased premiums.

Your firm should strive to help underwriters understand how your work is split, beyond the percentages on your proposal form. If your firm undertakes a high level of work in an area that is viewed as potentially contentious, you should take the time to explain how you mitigate, control and avoid risk. Showing underwriters that you understand risk and have put measures in place to control it will reassure them that your firm has an active approach to risk management.

4. SHOW HOW YOU MANAGE RISK

The SRA continues to put law firms under the microscope; this has resulted in a good approach to risk management becoming increasingly important to how underwriters view a firm. However, in some cases firms have failed to understand the true value of this. Risk management cannot be a tick-box exercise. It is something that must be embedded in a firm's culture from the top down. It is ever more common for 'A' rated insurers to ask firms to complete a risk management questionnaire (RMQ) before offering terms. These can be lengthy, but this does not mean they are redundant. An RMQ should be viewed as an opportunity to delve into the detail of your firm.

When your firm gives the questionnaire the time it requires, it will often see the benefits. Benchmarking against an RMQ can help your firm in a number of areas as well as reducing the actual premium. In a number of instances, firms have identified potential issues and addressed them before they became claims.

5. DISCLOSE MATERIAL INFORMATION ABOUT YOUR FIRM

The Insurance Act 2015, which came into force in August 2016, deals with insurance contract law in relation to business insureds (law firms). The act clarifies the extent of the duty of disclosure and introduced the concept of fair presentation – when the policyholder discloses material circumstances that it knows or ought to know.

Insurers aspire to create long-term relationships with their clients; remaining open and honest with them and your broker is vital. A change in partner numbers, for example – while material – does not automatically mean an increase in premium. It is important that you are open about changes in your firm. Helping your insurer understand what the firm is doing, how it is changing and what this will mean for the future will rarely have negative consequences.

Lean on your broker and remain engaged with your insurer throughout the year. Remember, they are there to support you year-round, not just in the months or weeks prior to your firm's renewal date.

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The information included in this article cannot and does not attempt to satisfy this requirement for any of its readers.

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