



PII Renewal 2016 Initial Review

Introduction

Following changes to the CLC's PII arrangements, including a move away from a Master Policy Scheme to an open market managed through a Participating Insurers Agreement and the addition of automatic run-off cover at no cost at the point of closure of a firm, the CLC carried out a survey of practices' experience of the professional indemnity insurance (PII) renewal process.

We wanted to understand how CLC-regulated firms had found the renewal process and their views of the impact of the changes. In addition, we have analysed information provided by the insurers themselves, much of which must remain confidential for commercial reasons but some of which is reported here.

Our insight into the 2016 renewal round will inform our work with the profession and insurers to continue to make improvements for the benefit of consumers and to foster innovation, competition and growth in the legal sector.

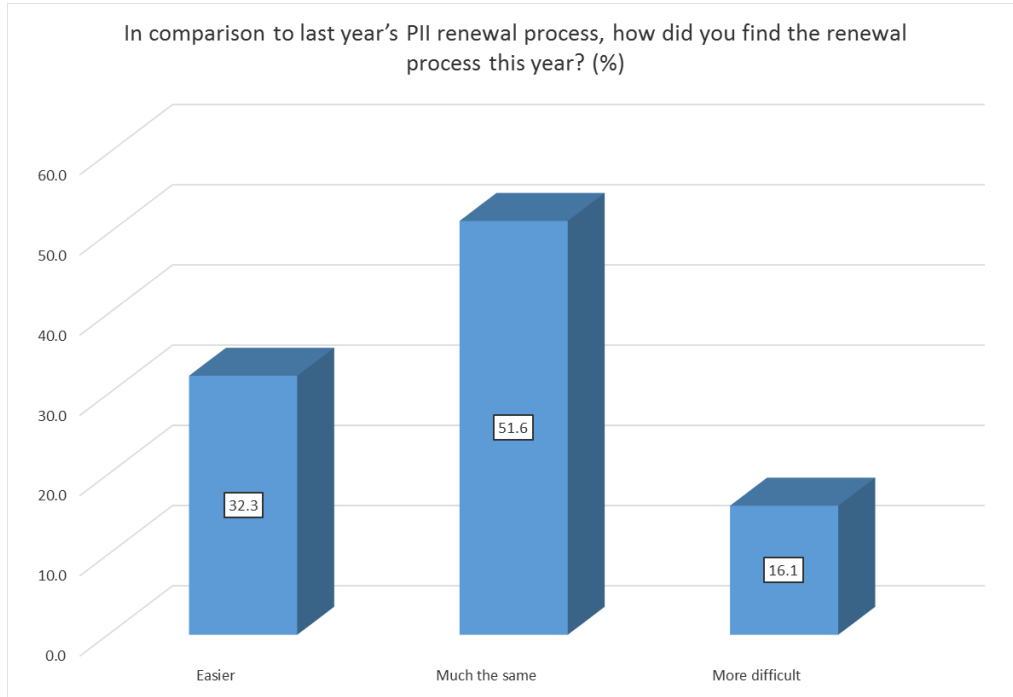
Methodology

The survey was carried out at the end of the 2016 PII renewal round, over a four-day period, between 4th and 7th July 2016. CLC practices were invited to respond to an online survey using SurveyMonkey by e-mail and by a notice in the CLC's regular newsletter. In all, 63 out of 235 practices (or 26.8% of all CLC-regulated entities) responded to the invitation.

Comparative Ease of the New PII Renewal Process

We asked respondents how they found the new PII process in comparison to the old system, which was in place last year. 16% of respondents found the new process more difficult, compared to 32.3% who found it easier (Figure 1 overleaf).

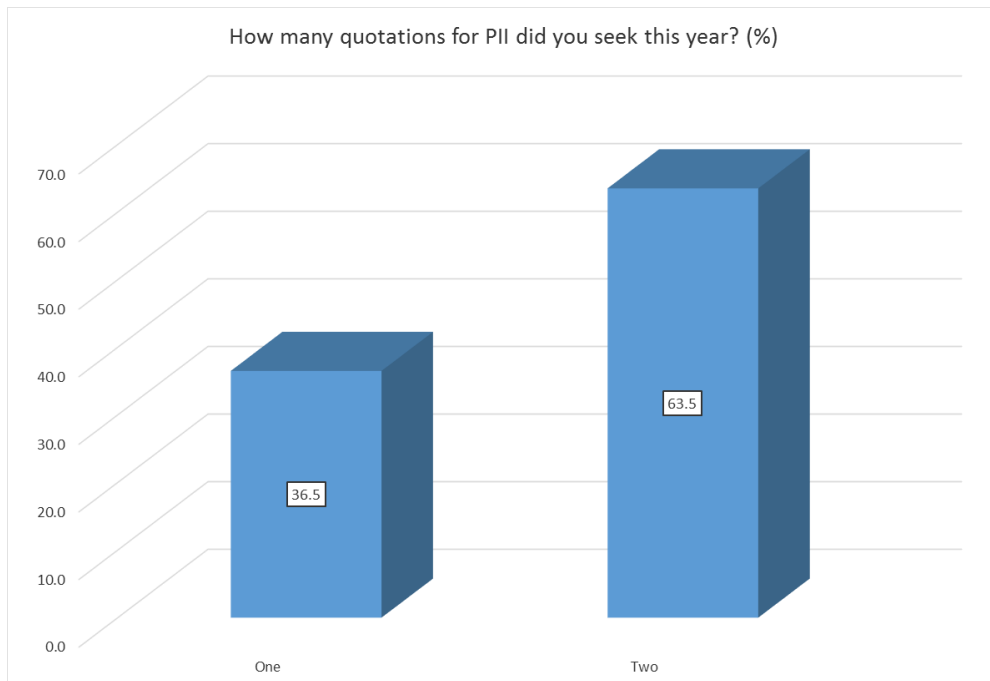
Figure 1



Number of Quotes Sought

Under the new PII arrangements, practices are able to apply for coverage by one or other of two firms; Howden or Willis/Miller. Figure 2 reveals that just over a third of respondent practices (36.5%) only sought a single quotation, but the majority (63.5%) requested quotes from both providers.

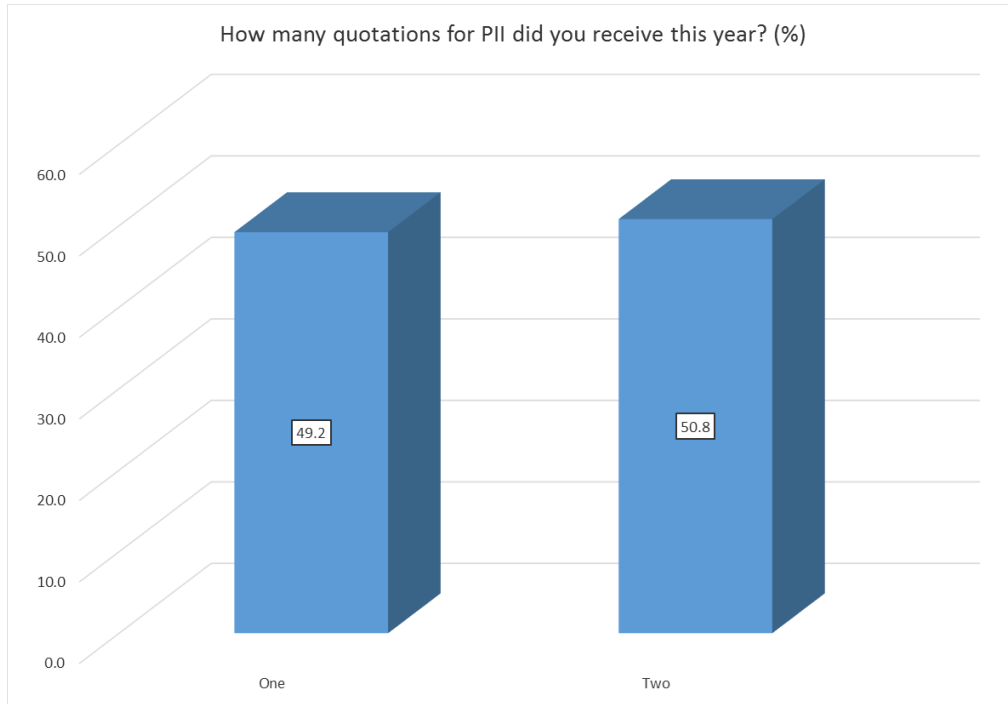
Figure 2



Number of Quotes Received

Figure 3 shows that 49% practices received one quotation compared to 51% practices that received two.

Figure 3

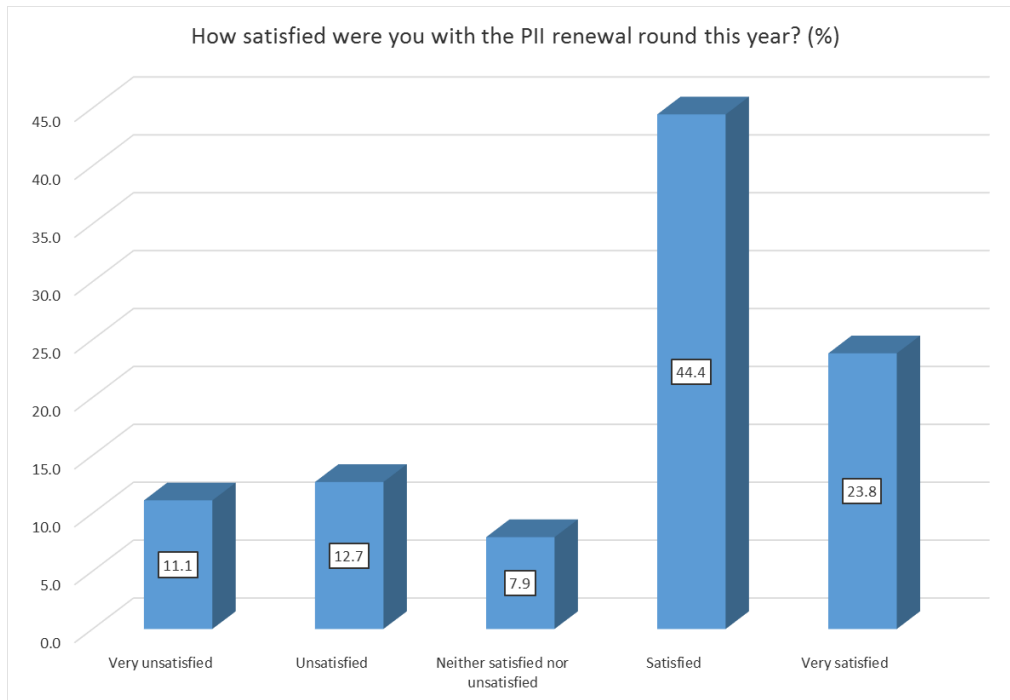


Closer analysis reveals that 19% of all respondent practices requested two quotes, but only received one. However, there was no significant difference in the proportion of these practices that went on to be covered by either PII provider.

Satisfaction with the New PII Arrangements

More than two-thirds of respondents say that they are either satisfied or very satisfied with the new PII arrangements. In figure 4 (overleaf) you can see that this includes almost a quarter who identify as very satisfied, compared to just over one-in-ten respondents who say that they are very unsatisfied with this year's PII renewal round.

Figure 4



One factor that could negatively affect satisfaction is to ask for a quote, but not receive one. Nevertheless, our findings show that respondents who asked for two quotes, but only received one were almost as likely to be satisfied or very satisfied with the new arrangements (67%) as all respondents (68%). However, they were more likely to be unsatisfied or very unsatisfied; 33%, compared to 24%.

Something that definitely does have a substantial impact on satisfaction is the ease or difficulty of the process, and the highest rates of dissatisfaction are to be found among those respondents who said that the new PII process was more difficult than last year's; 70% of those said that they were unsatisfied or very unsatisfied with this year's renewal round, (20% still said they are satisfied with the process overall).

Possible Improvements

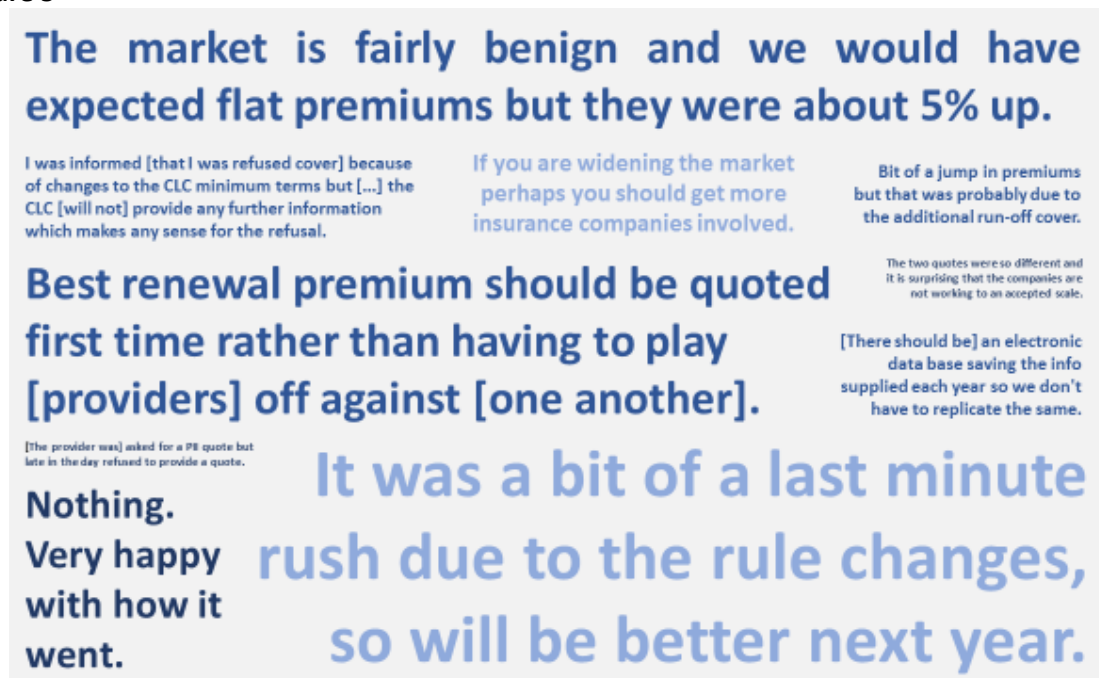
We asked respondents what could be done to improve the PII renewal process. 32 of them provided an answer. Their answers were then broken down to their basic suggestions, and the proportion of respondents making each of these basic observations has been recorded in table 1 (overleaf).

Table 1

Problem	Percentage of respondents mentioning problem (%)
The process was rushed/forms should be sent out earlier	34.4
Prices have increased too much	25.0
Need for better communication with providers	25.0
Nothing/Not much	21.9
There should be more providers to ensure a competitive market	12.5
Providers should pre-populate forms with responses from last year to save time filling them in	6.3
Changes in run-off cover have increased costs	6.3
Need for better communication with the CLC	6.3
Providers should provide quotes when requested	3.1
Quotes from different providers were radically different	3.1

Figure 5 exhibits sample comments from respondents, with the font-size corresponding to the proportion that mentioned the issue (as set out in table 1).

Figure 5



There are some useful suggestions here. The renewal process did take place over a shorter period than would have been ideal, but as the most prominent comment in figure 5 correctly observes, this was due to rule changes, and we too expect that there will be a longer window in which to make PII arrangements by the time of next year’s renewal process. We welcome competition in PII provision and will keep the market under review as it continues to evolve.

Other Views on the New PII Arrangements

There was also a final invitation for respondents to tell us about any other views they might have on the CLC's PII arrangements. This was a prompt for a wider range of responses, and a little over a third of all respondents (22 out of 63) spoke up (see figure 6).

Figure 6

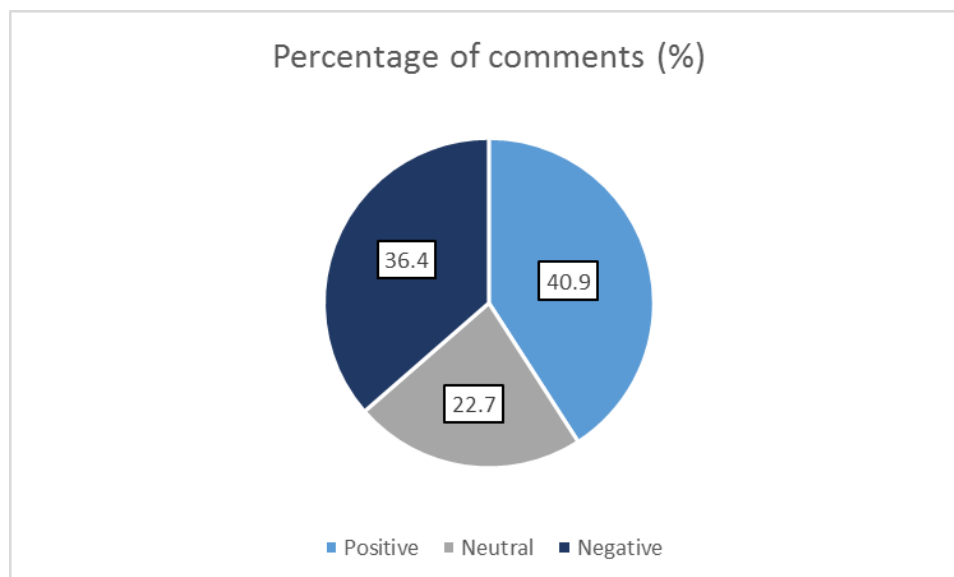


Figure 7 presents some of the comments, illustrating the range of issues covered in the responses. They have been anonymised and references to particular providers, whether they were positive or negative, have been removed.

Figure 7

Positive	Negative
+ Totally happy with how it went this year. Well done to the CLC for responding to the need for change.	- Need to make this process much slicker and quicker.
+ We have saved over £38,000 on the premium this year which we are over the moon with. We just wish we had switched [providers] last year rather than paying such a high amount unnecessarily.	- We would like to see other insurance firms quote for us as solicitors have to choose from 13 and if we were spread across a wide spectrum then we would not be hit with large increases due to other firms' mistakes[.] Interesting discussions to have in this regard as insurance should be available from all PII insurance [providers,] if as is stated the CLC are now closing the master policy terms.
+ We are delighted that you have had the foresight to negotiate in the free run off. Many of my solicitor friends are insanely jealous of this.	- [One of the providers was] very forceful trying to get us to take their quote despite the fact it was 2.5 times higher than the other quote obtained. They then said that if we did not take insurance with them they would not insure us again in the future. They also attempted to undermine the other insurance offered. This was not in our view the appropriate way to deal with this.
+ This is my first renewal and I thought it would be considerably harder. I am very impressed with how it has been handled.	

Conclusion

Obviously a survey like this one, conducted immediately after the event, only captures first impressions. It is clear that some practices have found the new PII arrangements to be less than ideal, but the majority appear to be happy with the changes to those arrangements and to have been satisfied with the process for obtaining PII. Given the scope of the changes and the short time in which they were implemented, this is a considerable accomplishment. And while we recognise that this created tight deadlines which posed difficulties for a significant minority of practices, with the new arrangements now bedded-in, we do not expect such problems to recur.

Information provided by insurers shows that overall, premium rates are low by historic standards and so competition between insurers seems to be serving the regulated community well. Past experience tells us of course that these rates can vary significantly in response to changing risks in the market place. The major risk we face at the moment is cybercrime and the profession will need to take every possible step to protect itself and its clients from such crime.

The addition of run-off cover free at the point of closure of an insured entity has not led to an increase in premium rates as some had feared. It has also greatly enhanced consumer protection, reduced the potential exposure of the Compensation Fund and removed what has been a barrier to orderly closure of some types of practices in the past.