

ARE YOU COVERED ENOUGH?

BARRY DAVIES, PRACTICE DIRECTOR



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Despite the abolition of the single PII renewal date for firms in England and Wales, most firms still elect for zero hour: 1 October. That means hunting season for competitive premiums is well and truly open. With some radical changes being proposed (but not yet fully adopted) this year's hunt has been met with great anticipation.

The Law Society issued a PII practice note in July 2014, offering clear guidance to the obligations imposed on all firms to obtain sufficient cover. But what the note doesn't address is this season's hottest talking point, namely the minimum level of cover – the focus for smaller law firms. We'll see a new outcome added to the code of conduct, requiring firms to assess and purchase an appropriate level of cover for past and present activity, taking into account any potential level of claims. That change is going to directly impact firms considering merger activity, as claims history is sometimes a deal-breaker for firms using mergers as a route to more competitive premiums. It can be a vicious circle.

The practice note recommends that firms have submitted PII proposals by mid-July. My advice: know your broker, well. If you have any strategic plans for your practice then keep your broker in the loop. They could prove an invaluable source of advice and guidance.

Meanwhile, insurers are expecting to see evidence of good practice, and the Lexcel quality standard is a solid starting point. There are approximately 1,500 Lexcel-accredited firms and, though it may seem unreasonable at this stage for insurers to demand it as compulsory, in future that might be the reality.

The renewal process, despite becoming standardised in recent years, still holds some taxing questions for certain areas of work, particularly in relation to property and personal injury. For those firms with sophisticated data capture systems, this should be a doddle, but, for many, giving a best estimate can and might prove costly. PII is one of the largest overheads a firm will incur and the cost should be allocated to each work type in a fair manner. For that reason, you should monitor your data closely throughout the year.

The SRA consultation to reduce the minimum level of cover to £500,000 hasn't been accepted by the Legal Services Board in time for this year's renewal. The Law Society's plea is for the cover level to remain at £2m, because this reflects the reputation of the profession as a whole. That debate rages on, with a decision expected in October. For now, firms should remain cautious by assessing the level of cover they actually need, not what they can get away with. That means choosing an insurer wisely. Recent years have seen too many insurance companies fall away to leave firms exposed and having to make alternative arrangements. Proceed with caution. **LPM**

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