

SRA policy

Professional Indemnity Insurance - Participating insurer criteria

Policy statement, 7 May 2014

1. Our consultation on the introduction of a financial strength rating requirement into the criteria for Participating Insurers closed on 24 March 2014. We have considered the responses carefully.
2. We have decided to not introduce a minimum financial strength rating requirement for Participating Insurers at this stage.
3. We are concerned about the potential for a disproportionate impact on sole principals and small firms, amongst whom the use of unrated insurers is concentrated. Requiring a minimum strength financial rating at this point could cause higher costs for firms, which could outweigh any benefit. A financial strength rating is no guarantee of insurer solvency and we want to have a clearer understanding of any impact that the introduction in 2016 of Solvency II may have upon insurer stability.
4. We have today launched a consultation on a wider review of Professional Indemnity Insurance cover
[\[https://www.sra.org.uk/sra/consultations/consultation-listing/professional-indemnity-insurance/\]](https://www.sra.org.uk/sra/consultations/consultation-listing/professional-indemnity-insurance/) . There are five proposals intended to reduce the regulatory burden, provide targeted regulation and increase competition. These proposals are for implementation from 1 October 2014.
5. We will review the issue of a requirement for a participating insurers' financial strength rating after we have assessed the impacts of any wider more fundamental changes to the scope of cover under the Minimum Terms and Conditions.
6. A summary of the responses received to the minimum financial strength rating requirement consultation
[\[https://www.sra.org.uk/sra/consultations/consultation-listing/insurers-minimum-financial-strength-rating/#download\]](https://www.sra.org.uk/sra/consultations/consultation-listing/insurers-minimum-financial-strength-rating/#download) can be found here.