

## Press release archive for 2021

### *Options for post six-year run-off insurance cover and the Solicitors Indemnity Fund set out in consultation*

23 November 2021

We are inviting views on options for the future of post six-year run-off insurance cover (PSYROC) and the Solicitors Indemnity Fund (SIF) in a consultation [<https://www.sra.org.uk/sra/consultations/consultation-listing/solicitors-indemnity-fund/>] launched today.

PSYROC is an additional cover for firms that close without a successor practice, on top of the six-year run-off cover provided by their professional indemnity insurance. It has been provided through the SIF, which is a mutual indemnity scheme itself in run-off since 2000.

Since we assumed responsibility for the SIF following its establishment in 2006 it has agreed on three occasions to extend the provision of PSYROC through the SIF against the backdrop of concerns about its affordability without any additional funding. The latest extension, to 2022, was to allow more time to consider longer-term options in relation to PSYROC.

We work in the public interest and are constrained by law from acting outside our public interest regulatory remit or for the purpose of supporting or protecting members of the profession. After careful consideration of the evidence, including analysis from an independent expert review, and of the proposals put forward by others, we are consulting on whether our regulatory arrangements should include PSYROC as a consumer protection, and what that means for the future of SIF.

The consultation paper and its annexes set out a range of options including:

- No future provision of post six-year run-off cover
- Continuing post six-year run-off cover with new funding arrangements, and through different models
- Arranging post six-year run-off cover through insurance on the open market

The consultation invites views on these and other arrangements, explaining that our preferred option is not to continue the provision of on-going PSYROC because the costs compared to the volume and value of claims are unlikely to be a proportionate or efficient way of delivering consumer protection. Forecasts show that looking over the ten years from 2023, the number of consumers that would be likely to benefit each year would be around 31, with the average value of claims paid out, including defence

costs, at £34,600. The requirement for ongoing funding from the profession is estimated as up to £2.4m a year, which is likely to be passed on to consumers.

The consultation also considers what should happen with the remaining reserves of the SIF if it no longer provides PSYROCC, noting that transferring the residual funds to the Law Society would allow the society to use them for the benefit of the profession.

**Anna Bradley, Chair of the SRA Board**, said: 'We appreciate that this is a controversial issue for some within the profession and indeed that there are a variety of views.

'As the regulator, we have to consider the right arrangements for the future, with a sharp focus on the interests of consumers and our other regulatory objectives. Our analysis, in the light of detailed evidence, shows that establishing or maintaining a regulatory scheme to deliver ongoing post six-year run-off cover is unlikely to be proportionate in light of the level of consumer protection it provides.

'We have set out our thinking and a range of options in our consultation and I encourage everyone to give us their views on the best way forward. Our Board will carefully consider the feedback we receive before making a decision.'

The consultation [<https://www.sra.org.uk/sra/consultations/consultation-listing/solicitors-indemnity-fund/>] will run for 12 weeks until 15 February. During this period, we will continue to engage widely with stakeholders to gather their feedback.