

## News release

### *SRA decides no changes to law firm professional indemnity insurance*

19 December 2019

We have confirmed that, following consultation, we will not be making changes to the current rules requiring solicitors to have a minimum level of professional indemnity insurance (PII) cover.

A consultation last year proposed removing the 'one-size-fits-all' rules on PII. The proposals aimed to make sure firms were providing the public with appropriate protection, while enabling them to take out cover that better reflected the work they did. This could potentially reduce costs for some firms, particularly smaller ones where PII is a very significant overhead, and lead to lower prices for customers. It could also attract new legal businesses into the market.

The SRA proposed a range of changes, including reducing the minimum level of cover for firms from £2m (£3m for incorporated firms) to £500,000. Reflecting greater risks, firms carrying out conveyancing would have a required minimum cover of £1 million.

Other proposals for the terms and conditions included greater flexibility around defence costs and capping the level of cover needed for the six-year run-off period after a firm closed.

There were 160 responses to the consultation. Feedback indicated - among other issues - that insurers might not lower premiums, or firms might not take the opportunity to lower their cover. There was also concern that if changes resulted in firms buying additional layers of insurance to maintain current levels, costs and complexity could increase. Even if costs were lowered, some thought that overall consumer protection would be reduced.

We have decided not to introduce any of the proposed changes. In light of the consultation responses, it seems unlikely that firms or insurers would respond to the proposals that would lead to the intended benefits materialising in the foreseeable future. We also recognise that the insurance market is currently hardening and contracting, which would add another layer or risk to any changes.

**Paul Philip, Chief Executive of the SRA**, said: "Indemnity insurance is a very significant cost for the sector, so it's important that we periodically review arrangements, but this is a complex area with no easy answers.

"We need to make sure we are getting the balance right, so that the public is appropriately protected, while not burdening firms, and therefore their

clients, with unnecessary costs. Careful, open and extensive consultation was essential.

"The feedback and market insight we received was invaluable, making it clear that the changes we were proposing were unlikely to deliver benefits for the firms and clients in the foreseeable future. We would like to thank everyone who responded and helped inform our thinking."

Building on feedback provided in the consultation, we have committed to continue our work in three key areas in relation to insurance:

- it will look at how it can make it easier for firms to close in an orderly way, including reviewing the SRA successor practice definition
- exploring what should be in the scope of cybercrime cover and working with insurers to support the development of products
- reviewing its participators insurers agreement, with a view to introducing an improved agreement for the 2020/21 indemnity year.

We also consulted on potential changes to our Compensation Fund rules. The Compensation Fund forms part of the overall package for protecting the financial interests of clients. Feedback from this consultation has also altered our thinking. We plan to amend proposals and will confirm next steps in the new year.

Our position on PII can be found here: [Go to the PII position page](#)

[<https://www.sra.org.uk/sra/consultations/consultation-listing/access-legal-services/#download>]