

# Solicitors' Professional Indemnity Insurance



All solicitors in the United Kingdom are required to have professional indemnity insurance by their regulatory bodies. Solicitors in England and Wales are regulated by the Solicitors Regulation Authority (SRA), which sets out minimum terms and conditions that must be included in all solicitor professional indemnity policies. Solicitors in Scotland and Northern Ireland are regulated by their respective law societies, and their professional indemnity insurance policies are created through a compulsory Master Policy.

It is imperative that solicitors and law firms recognise emerging professional indemnity risks and do everything in their power to protect themselves from those risks.

## What It Covers

Solicitors' professional indemnity insurance covers civil liability claims arising from work in private legal practice. Most claims brought against solicitors working in private practice relate to professional negligence attributed to mistakes and errors and omissions. These policies can include damages, compensation and legal defence costs, which can be quite substantial.

Depending on your type of firm, typical required minimum cover is £2 million or £3 million. Exclusions may apply and will depend on which country you practise in and what is allowed under the minimum terms and conditions (in England and Wales) or Master Policies (in Scotland and Northern Ireland). Make sure you know exactly what your policy does and does not cover.

## Excess Layer or Top-up Cover

Excess layer or top-up cover is insurance cover for claims that rise above the primary level of cover (typically the minimum requirements). All solicitors and firms should conduct an individual assessment to see whether their minimum required levels of cover are sufficient and how much excess layer or top-up cover is needed. This assessment should be based on the firm's size, structure, claims history and exposure to risks. If you have a single claim (or aggregate claims from related acts or omissions) that exceed the indemnity amount covered in your policy, then you will be liable for the remainder if you do not have excess layer or top-up cover.

Best practices dictate that firms should conduct a risk assessment before accepting new clients or new work to check that the new risks will not exceed the current indemnity limit.

## Common Risks

The following is a list of risks solicitors can face:

- Risks from providing professional legal services, such as giving advice to clients and assisting with legal matters, performing services and giving investment advice.
- Cyber-liability risks from new technologies, such as digital document storage, electronic filing of documents and mobile technology.
- Unfamiliar areas of law—it may be necessary to start practising in new areas in today's economy, but it produces risk.

## Provided by Sirelark Risk Services

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- Risks from pro bono work, including working with law centres, charities and other non-commercial advice services.

## How Premiums Are Calculated

Premiums are calculated based on a number of factors:

- Claims history
- Types and categories of work you undertake
- Firm revenue
- Number of solicitors and employees
- Excess amounts

## Limiting Liability

Apart from professional indemnity cover, solicitors can also take proactive actions to limit liability by implementing these risk management strategies:

- Documenting the processes used to carry out professional responsibilities.
- Committing to loss prevention and using risk management services.
- Adopting and implementing negligence prevention measures such as office management policies.
- Using well-defined fee agreements with your clients including written documents.
- Using an electronic conflict of interest search system.
- Practising in the area of law in which you have experience, and appropriately supervising junior solicitors and support staff.

## We're Here to Help

All solicitors and law firms need to make sure they are protecting themselves from the ever-increasing and emerging areas of professional indemnity risk. A specialist broker is invaluable when purchasing professional liability cover or when changing policies. We understand that as a solicitor, you have different needs from other professionals. We can also help you obtain the most cost-effective policy available while providing the protection you need. Contact Sirelark Risk Services today to learn all about our customised insurance solutions.