

A photograph of a business meeting in a modern office. Several people are seated around a table, engaged in conversation. The office has a brick wall, a large window, and a staircase in the background.

# 7 DEADLY SINS OF PROFESSIONAL INDEMNITY PROPOSERS

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**SEVERN BAY CORPORATE SOLUTIONS IS A UNIQUE INSURANCE BROKERAGE AND PROVIDER OF RISK MANAGEMENT SOLUTIONS BASED IN CARDIFF BAY. UNLIKE OTHER INSURANCE BROKERS, WE DO NOT TAKE COMMISSION ON SALES, BUT INSTEAD CHARGE A SIMPLE FEE THAT WE AGREE WITH YOU BEFORE ANY COVER IS ARRANGED.**

# 7 Deadly Sins of Professional Indemnity Proposers



Making one or more of these common mistakes can harm your chances of getting a good deal for your professional indemnity insurance.

## **Too Many Brokers**

Most years there are about twenty insurers offering solicitors professional indemnity insurance; this is a very small market compared to professional indemnity for other professions. With large numbers of solicitors seeking quotations over the summer months, brokers and underwriters are very busy and do not have time to waste on unnecessary work.

Sending your proposal form to too many brokers means that some underwriters may see your proposal from many different sources and some will decide that you are wasting their time. This may result in a higher premium being quoted, or your proposal being declined altogether.

Select enough brokers to ensure that you are covering the markets, but do not flood the market with dozens of requests for quotes.



## **Too Few Brokers**

In an ideal world, all of the professional indemnity products for solicitors would be available from every specialist professional indemnity broker; then the only choice you would need to make would be "which broker do I like the most and will give me the best service". Unfortunately, several products are restricted by "exclusive distribution agreements" between certain brokers and certain insurers, which means that in order to adequately explore all of your options you will need to deal with more than one broker.

To manage broker relationships you should issue clear written instructions to those brokers that have "exclusive" products that they are only to present your proposal to their exclusive insurers and deal with open market brokers for the rest of the insurers. This will help to avoid becoming locked in to a particular broker and also avoid a "too many brokers" situation.

## Missing Documents and Information

Every professional indemnity insurer has similar information requirements that they will need in order to provide their very best rate for a risk, it is better to supply more information than too little, because when an insurance underwriter has to make an assumption, they are rarely optimistic and will most commonly take a worst case position – which translates into a higher price for you.

Here is a quick check list of the documents that should always be included in your presentation for professional indemnity:

- Fully completed proposal form, signed and dated.
- Copies of your claims summaries for the last six years (more if there are open claims in earlier years).
- Copies of your firm's accounts for the most recently completed 2 years.
- CV's for all principals of the firm, plus CV's for key staff where relevant. • A specimen copy of your firm's letterhead.
- Copies of all correspondence about any and all disciplinary or regulatory issues.

Some insurers have specific additional requirements and your broker should advise you where extra information is needed.

## Unreadable Documents

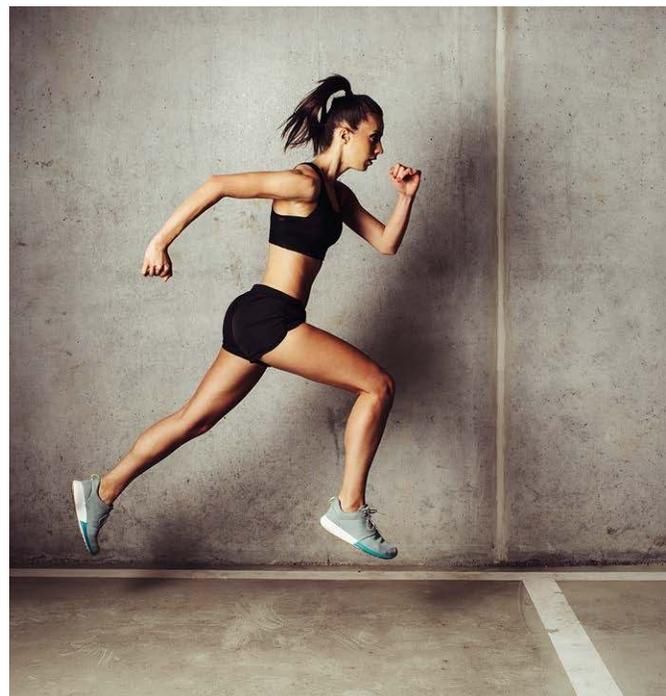
During the summer months, most insurers will consider thousands of professional indemnity presentations from solicitors and when they come across a proposal form that is illegible they will either give it a low priority compared to other cases or just flat out decline it and save themselves the effort of deciphering it.

Make sure that your quotation is on top of the underwriters pile by paying attention to readability:

- Make sure that the answers on your proposal are clearly written in black ink, better yet, fill it in on screen and type all the information.
- Make sure that all copies of supporting documents are clear photocopies or good quality scans
- Avoid copying documents that have been faxed as the quality is often low.

## Last Minute Rush

Don't leave your professional indemnity renewal until the last minute, give yourself, your brokers and the insurance underwriters plenty of time to do the job properly at a relaxed pace. Taking an October 1st renewal as an example, because it is still the most popular date, when should you be preparing your renewal presentation?





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**May** – for most firms this is too early and many insurers will not have finalised their proposal forms yet, but you can certainly gather together the information and documents that you will need.

**June** – the early bird, a great time to get your renewal presentation in to your current insurer. Still a little early for seeking alternative quotes as insurers concentrate on renewals before open market quotes.

**July** – the ideal time for a presentation, plenty of time left until renewal for a relaxed and stress free process and all the insurers should by now be quoting for new business as well so that alternative quotes can be obtained.

**August** – rush hour, by now the majority of solicitors are sending their proposals in to brokers and things are starting to get busy, if you are only now submitting your proposal, make sure that the quality of your presentation is top notch to make sure it gets priority.

**September** – last orders, you have left it a bit late in the day and you should not expect to achieve more than obtaining renewal terms from your current insurer and possibly one alternative, certainly you are unlikely to get the best price.

**October** – if you are only now preparing your presentation, you have a big problem, because the SRA will want to know what you are doing and insurers are going to take a hard line on underwriting, expect to pay more.



### **Buying On Price Alone**

Everyone wants to save money and it is tempting to simply buy the insurance with the lowest price.

The problem with this approach is that you might end up with an insurer like Quinn, Lemma, ERIC or BALVA, that goes bust, leaving you high and dry with no cover and no refund of premium.

Another thing to consider is what service will you get from your broker, are they experts in professional indemnity, can they advise you about risk management, business continuity and succession?

How much are you paying for the service? Ask every broker to provide a detailed breakdown of premiums, commission, fees and tax with every quote.

Before you chose a product and settle on a quote, ask what you are getting for your money.



## Acting Before Asking

From time to time, business opportunities will come your way: a new area of practice, a particularly big case, a merger with or acquisition of another firm.

These are some of the highest risk things that can happen to a law firm and there are plenty of examples of firms that have suffered disaster as a result of a deal gone wrong. The principals of some of these firms have lost everything.

This is where a proper professional indemnity broker will show their true value and be able to advise you **about** the insurance and risk management implications of a major change in your business.

Always ask about the additional cost of insuring new activities or business ventures before you commit yourself to them to avoid costly mistakes.

