

## **Professional indemnity insurance - Guide to using insurance brokers**

Insurance brokers are responsible for advising on and arranging insurance. In the solicitors' professional indemnity insurance (PII) market, most Qualifying Insurers can only be accessed through a recognised, Financial Services Authority (FSA) regulated insurance broker. While solicitors are able to access some Qualifying Insurers directly, we believe that the vast majority of solicitors do and continue to benefit from engaging a competent, experienced and specialised PII broker.

In the lead up to the renewal date, you are likely to receive advertising material from a number of broking firms. You should not necessarily engage the first firm you read about. Consider the following factors to ensure you engage a broker that is right for you.

### **☒ Is the broker regulated by the Financial Services Authority (FSA)?**

Before engaging a broker, you should ensure that the FSA regulates it. You can do this by checking the [FSA's website](#). A broker or any other intermediary can only give advice on insurance matters if it is regulated by the FSA either:

- directly, or
- as an Appointed Representative of another regulated firm.

Brokers regulated by the FSA must comply with a number of obligations designed to protect their clients. The FSA also provides a useful avenue for making a complaint if you receive poor service from your broker.

### **☒ How experienced is the broker in dealing with the solicitors' PII market?**

Brokers have different levels of experience in dealing with the solicitors' PII market. PII is a specialist area of insurance, particularly solicitors' PII. You should therefore ensure that you engage a sufficiently experienced broker. To find out about a broker's level of experience, you should ask them the following questions:

- Are you a specialist in the solicitors' PII market?
- Are you a broker or an introducing intermediary?
- Is your service "advisory and execution" or "execution only" with no advice?
- Do you place the insurance directly with the underwriter or do you send it to another specialist intermediary?

- How many years' experience do you have in placing solicitors' PII?

☒ **What primary services does the broker provide?**

Brokers offer very different levels of service to their clients. Understanding what they offer in comparison to **your expectation** is the first point of reference in choosing a broker to suit you.

The insurance industry has developed new means of distribution of insurance products in recent years and these can be confusing to the once a year buyer of PII. There are:

- **Specialist PII brokers** who have expertise in PII and will offer the complete specialist service.
- **General insurance brokers** who have a good professional knowledge of PII and will represent your case on your behalf to the Qualifying Insurers with the intent of getting you the best deal.
- **Other Intermediaries** who may send your proposal form to a specialist PII broker for placing to ensure you still get a specialist service. While they may be local to you, they themselves are unlikely to possess specialist knowledge in the solicitors' PII market.

Some brokers take an active advisory role in helping to organise your PII. This will usually include:

- visiting your office to help to understand your business and risks
- informing you about market conditions
- advising you on what risk management measures will positively influence the Qualifying Insurers
- advising you on the appropriate level of PII for your firm
- helping you to complete your proposal form(s)
- discussing your proposal directly with the Qualifying Insurers
- providing details of existing claims and notifications
- advising you on whether to accept an offer for PII, and
- supporting you when making a claim or notifying circumstances.

You should use a broker that performs an advisory role or at the very least, one whose service approach meets your carefully considered demands and needs. The service that a broker provides may affect the fee they charge. However, the level of service you receive from a broker should not depend on whether they receive a commission from your Qualifying Insurer or charge you directly.

☒ **Which Qualifying Insurers does the broker place business with?**

You should consider a broker's access to the Qualifying Insurers. While most brokers deal with a number of different insurers so they can best cater for all types and sizes

of firms, some brokers have a commercial agreement with a single Qualifying Insurer for certain segments of the profession. This may mean that the broker can place business only with one Qualifying Insurer or that the broker is the only broker that places business or certain types of business with that insurer.

You should ask the broker the following questions:

- Which Qualifying Insurers do you place business with?
- Are there any Qualifying Insurers that you are unable to place business with?
- Which Qualifying Insurers are prepared to offer cover to my size and type of firm?

By asking these questions, you may realise that you need to use more than one broker to gain access to a wider range of Qualifying Insurers that are willing to offer PII to your size and type of firm. As a general rule, you should never need to approach more than three brokers to ensure full access to the market.

**Caution:** If you use more than one broker, you should ensure that your proposal does not go to the same Qualifying Insurer more than once. This could result in counter-productive negotiations and slow down the entire process.

#### ☒ **How would the broker arrange your PII?**

When selecting a broker, you may wish to agree individual terms and timescales with them. You should agree:

- when they will contact you to give you updates on the progress of your application(s)
- how they will contact you, and
- a final date by which they will inform you of the outcome of your application(s).

You can negotiate specific terms of service with your broker, but be realistic. They are operating in a market place where price is dominant and the cover is almost identical. They are also under pressure due to the single renewal date. Therefore service from your broker can be a key value added differentiator. The Law Society has drafted a [model retainer letter](#) (Word) which you may wish to consider when engaging a broker. The model sets out the service standards that you should expect from your broker when organising your PII.

#### **Finding a broker**

There are two websites that are useful if you are looking for a broker.

##### **FSA register**

The [Financial Services Authority \(FSA\) register](#) is a public record of all the firms, individuals and other bodies that are regulated by the FSA, including professional indemnity insurance brokers.

You can [search](#) the register for information on all brokers that are authorised by the FSA and that provide products or services in the UK. You should note that the FSA

will only tell you whether or not a broker has been given permission by the FSA to carry out regulated activities, or whether they have been 'passported' in from another European Economic Area (EEA) – that is, a firm that is eligible to offer certain products or services in the UK and other EEA countries.

The EEA includes the European Union states, plus Iceland, Norway and Liechtenstein. These firms are regulated in their home countries and must meet standards which have been agreed across all EEA states. See the FSA website for further information on the [regulation of EEAs](#).

### **BIBA search facility**

The British Insurance Brokers' Association (BIBA) is a general insurance organisation representing the interests of insurance brokers, intermediaries and their customers. You can search for brokers on its website, or you may call BIBA directly on 0870 950 1790 to discuss your requirements.

To search for a broker using [BIBA's search facility](#), you should enter your post code and then select the following 'insurance type' options: in the first box select 'liability – commercial' and in the second box select 'general insurance'.

This will narrow your search to brokers that are authorised to provide general insurance, the relevant category for PII, services in your postal area.

### **Other directories**

The [Institute of Insurance Brokers](#) also maintains an online directory of brokers.