



The Law Society

Note for insertion into Setting Up In Practice booklet

Indemnity insurance - run-off cover

Although it seems premature at the start of a new practice to advise upon the consequences of closing that practice down, it is important to draw attention at the outset to this often unforeseen and sometimes onerous consequence of closure of your practice.

Professional Indemnity Insurance operates on a “claims made” basis rather than an “events occurring” basis. In other words, the responsibility for paying a claim lies with the insurer on cover when a claim is made against the practice (or when the insurer is notified of circumstances that may give rise to a claim). That insurer may not necessarily be the insurer on cover when the alleged negligence happened.

If you cease to be a principal or sole practitioner and there is a successor practice to your firm, then claims arising will be dealt with by the qualifying insurer providing cover for the successor practice at the time the claim is notified (or when the insurer is notified of circumstances that may give rise to a claim). This is not intended to fix the successor practice with legal liability for claims arising from your practice but merely to provide the mechanism through which run-off cover is provided.

However, if you cease to be a principal or sole practitioner and there is no successor practice to your firm, the Qualifying Insurer on cover at the date of closure of your practice will be liable to provide six years run-off cover from the date of expiry of the policy. Insurers cannot charge additional premiums for run-off cover unless this was provided for at the inception of the policy. However it is usual for such a run-off premium to be payable which is typically 2½ to 3 times the level of the annual premium.

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