2016-17 PII survey

A survey of solicitors' experiences of the 2016-17 professional indemnity insurance renewal

Law Society response

18 July 2017

The Law Society response to the 2016-17 annual PII renewal survey

1. This document summarises the results of the most recent annual survey into the solicitors' professional indemnity insurance (PII) renewal process and sets out the Society's preliminary response.

2. The research, which relates to the main 2016-17 renewal at 1 October 2016, was conducted at the request of the Law Society by an external provider, Mustard Research Limited. It was carried out using computer assisted telephone interviews.

3. The survey considers firms' most recent PII renewals, up until they were surveyed (including some firms that had variable length policies expiring after 1 October 2016). It was a random sample with the exception of firms with 11-25 partners, where the total population was included. At sampling, researchers did not know the length or renewal dates of firms' PII policies.

4. Researchers surveyed 601 law firms ranging in size from sole practitioners to firms with up to 25 partners, about their experiences and perceptions of the 2016-17 PII renewal process. Very large firms, with more than 25 partners, were not included in this survey as their PII arrangements are distinct from most of the sector, often covering international business. The analysis is representative of the Law Society's population of member firms by size (number of partners) and region. An equivalent survey has been conducted annually since 2008.[1]

5. As in previous years, this year's survey sought to gauge how effectively the PII market has operated. The survey explored:

    - The cost of PII;
    - The process for acquiring PII;
    - Channels for purchasing PII (and the use of brokers);
    - Insurance coverage and claims relating to losses for clients as a result of scams targeted at firms' client accounts;
    - How firms assess their own risks in relation to the adequacy of PII cover;
    - Awareness and views on options for post six year run-off cover and post six year run-off cover; and
    - The experiences of black, Asian, and minority ethnic (BAME) firms, compared with those of non-BAME firms.

6. In recent years the solicitors' PII market has been relatively stable and competitive, offering favourable conditions to firms. Following Elite's announcement in February 2016 that it was leaving the market, capacity is entirely provided by rated insurers. In the run-up to the last PII renewal period, analysts expressed a generally positive view of the market.[2]

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[1] Full versions of surveys are available at http://www.lawsociety.org.uk/support-services/risk-compliance/pii/surveys/

[2] You can read more about the state of the market in the period leading up to the main 2016 PII renewal period in the Law Society Gazette special issue, available here http://www.lawgazette.co.uk/download?ac=19402

7. This survey found that the mean premium as a percentage of turnover has remained the same as it was last year, 4.8 per cent last year, which suggests that the market for PII remains relatively stable.

Table of main findings

Section	Main findings
Solicitors' choice of insurer	The most widely used insurer was Travelers; almost three-quarters of firms remained with the same insurer they used the previous renewal round; almost three-fifths of firms submitted only one proposal form.
The PII renewal process	More than three-quarters of firms did not find the renewal process difficult; 70 per cent of firms opted for policies with a duration of 12 months.
Brokers	71 per cent of the firms that used brokers only contacted a single broker; Aon was the broker contacted by the largest proportion of firms; only two-fifths of brokers proactively provided details about their commission; 92 per cent of firms were satisfied with their broker.
Cover purchased	The cost of the mean PII premium decreased 1.3 per cent; the mean excess amount increased seven per cent; the mean top-up cover increased one per cent; the median cost of run-off cover is 300 per cent of annual premium; almost a quarter of firms had taken out cyber insurance.
Post six year run-off cover	Despite almost universal awareness of the Solicitors Indemnity Fund, only a third of firms know it is closing in 2020; 70 per cent of firms would consider purchasing post six year run-off cover.
Claims	Claims were made against 13 per cent of firms.
Risks	The top three risks with potential to increase the cost of premiums were notifying an insurer of circumstances that might give rise to a claim against the firm, increasing numbers of fee earners, and increasing amounts of conveyancing work.
Scams	Over a quarter of firms reported that they had been targeted by scammers; spam and phishing were by far the most common scams; the most common response was to update existing security systems.
Barriers, costs, risks and cover of closing a firm	Just two per cent of firms made use of the extended indemnity period.
SRA reforms	44 per cent of firms believe that regulatory arrangements for PII are in need of reform, but 69 per cent think that the SRA's current minimum levels of cover are 'about right'.
BAME firms' PII experience	Black, Asian, and minority ethnic (BAME) firms found the PII renewal process slightly more difficult; BAME firm's mean premiums were slightly higher (but lower on a per-partner basis); BAME firms were exposed to substantially less risk than non-BAME practices.

Solicitors' choice of insurer

Insurer share

8. The most widely used insurer was Travelers. At 18 per cent by volume of firms, its market share was twice that of its nearest competitor; AmTrust on nine per cent. QBE had seven per cent and QIC (Europe) had six per cent, with no other provider covering more than five per cent of firms.

9. Some insurers were particularly successful with certain segments of the market. For instance:

    - Among sole practitioners, 21 per cent were insured with Travelers, and 12 per cent with AmTrust, while Axis and WR Berkley had six per cent each.
    - For firms with 2-4 partners, Travelers covered 16 per cent, with QBE covering eight per cent, and AmTrust and QIC (Europe) each insuring seven per cent.
    - 17 per cent of 5-10 partner firms insured with QBE. Travelers, AmTrust, QIC (Europe), and Hannover all had seven per cent, and Axis six per cent.
    - 26 per cent of firms with 11-25 partners were insured by Travelers, and 14 per cent by Hannover, with QBE covering 11 per cent, and AmTrust and Axis six per cent each.

Choice of insurer

10. Whether it was a matter of loyalty or convenience, almost three-quarters of firms remained with the same insurer; only 28 per cent switched to a different provider in the 12 months to 31 October 2016.

11. Firms were asked about the most important considerations influencing their selection of insurer. The top three reasons that they mentioned were:

    46% 'The cost of premium was lower'
    37% 'Insurer's financial strength/Insurer is rated'
    30% 'The cost of the premium was similar/acceptable'

12. The relationship with an insurer is more important for larger practices. 29 per cent of all firms regarded having used an insurer before and been happy with it as an especially important consideration, but this rises to 32 per cent of practices with 11-25 partners and 34 per cent of practices with 5-10 partners. Having a close relationship with an existing insurer is even more important to larger firms, relative to smaller firms. This was cited by just 13 per cent of sole practitioners or firms with 2-4 partners, compared to 21 per cent of firms with 5-25 partners. This likely reflects the greater attention that insurers pay to the needs of larger, more lucrative customers.

Quotes

13. When seeking quotes, almost three-fifths of firms submitted just a single form. The survey found that:

58%	submitted only one proposal form
24%	submitted only 2-3 proposal forms
10%	submitted only 4 or more proposal forms
4%	submitted no proposal forms

14. The Society has encouraged insurers and brokers to accept each others' proposal forms, to avoid the need for multiple form-filling by firms, and there is strong appeal for the idea of there being one standard proposal form that all insurers agree to use for PII renewal, with 81 per cent of firms saying that they would support such a development, and just three per cent saying they would oppose it.

15. 71 per cent of firms made just one application to an insurer for a quote, but there were differences between firms of different sizes. Less than a quarter of smaller practices applied for two or more quotes, compared to two-thirds of larger firms (those with 5-25 partners). This suggests that despite advances with the cross-recognition of proposal forms, there may still be factors limiting the ability of smaller firms to take full advantage of a competitive insurance market.

16. As might be expected, the proportion of firms applying for PII cover from particular insurers tends to mirror the insurers' market share. So, once again the top three insurers are Travelers, approached by 21 per cent of firms; AmTrust, approached by 12 per cent; and, QBE, approached by nine per cent. These same insurers were the top three insurers approached for cover in last year's survey too, but there were some changes, with QIC and Endurance gaining market share.

The PII renewal process

Difficulty

17. 76 per cent of firms did not find the PII renewal process difficult. This result is similar to last year's, although the greater proportion of firms in this year's survey that found that the process was 'not at all difficult' may in part be explained by the greater proportion choosing to stay with their previous insurer.

18. There was an apparent increase in the overall proportion of practices that experienced some difficulties, from nine per cent in 2015-16 to 12 per cent in the most recent round, but the proportion of firms that found it 'very difficult' declined slightly.

19. Sole practitioners found the process easiest, with 81 per cent saying it was not difficult, and just eight per cent saying that it was.

20. Practices with 2-10 partners found the process most difficult, but while 10 per cent of firms with 11-25 partners found it 'quite difficult', there were none that thought it 'very difficult'.

Pattern of renewal dates

21. Although firms now have the flexibility of arranging policies with durations other than 12 months, this remains the preferred length. Indeed, the 70 per cent of practices that opted for 12 month policies represents an increase of more than 11 per cent on the proportion of practices choosing 12 month policies in last year's survey.

22. A quarter of firms have opted for 18 month policies, but it seems as though there has been a large drop-off in policies of other durations, most notably 13-17 month policies which were selected by 14 per cent of firms in last year's but this dropped to just one per cent in this year's survey. A possible explanation for this is that those firms that took up policies of more than 12 month's duration last year were still covered at the time of this most recent survey. We should start to have a better idea of the overall trends in policy duration following next year's survey.

23. Almost 70 per cent of practices renewed their PII in the traditional month of October. The next busiest period is was April, when seven per cent of practices' policies began. This makes sense if they were coming off of an 18 month policy, entered into in October of 2014.

Brokers

Use of brokers

24. Excluding those that did not use the services of a broker; the proportion of firms that contacted just one broker was 71 per cent; 19 per cent approached two or three brokers, and only two per cent contacted four or more.

25. This reflects an ongoing trend of firms contacting a single broker. The proportion was 47 per cent in 2013-14, 57 per cent in 2014-15, 63 per cent in 2015-16.

Broker share

26. Aon was the broker contacted by the largest proportion of firms; 22 per cent. JLT, contacted by 16 per cent, and Lockton, contacted by 11 per cent, round out the top three.

27. Willis went from being contacted by 16 per cent of relevant firms in 2015-16, to just four per cent in 2016-17, but Willis sold most of its book to its subsidiary Miller, (which was approached by 5.4 per cent of firms).

28. Aon also placed the most policies; 15 per cent. JLT placed 10 per cent, and a significant increase from Hera Indemnity saw it become the third most successful broker, in terms of policies placed, with eight per cent.

29. 85 per cent of firms secured a policy through the same broker that found them cover the previous year.

Brokers' commission

30. Although 39 per cent of brokers proactively provided details of their commission, 36 per cent made no such disclosure.

31. Where details of brokers' commissions were made available, more than half charged in the range of five to 15 per cent of the cost of the PII premium.

Solicitors' satisfaction with brokers

32. An astonishing 92 per cent of firms reported that they were to some extent satisfied with their broker, and more than two-thirds said that they were very satisfied.

33. 77 per cent of firms also believed that their broker made it clear with which insurers the firm's business had been placed. But 14 per cent said it was only somewhat clear, and 8 per cent could not identify their insurer.

Cover purchased

Cost of cover

34. It is important to remember that the samples in the 2015-16 and 2016-17 PII surveys were different, so it is not possible to make a like-for-like comparison between the premiums paid by individual, identified firms from year to year. Bearing this in mind, the cost of an average premium was £26,853, a decrease of 1.3 per cent from last year's average premium of £27,209.

Percentage change in mean PII premium

From 2015-16 to 2016-17	**Mean premium 2015-16 (£)**	**Mean premium 2016-17 (£)**	**Percentage change (%)**
All firms	*27,209*	*26,853*	*-1.3*
Sole practitioners	8,773	9,379	6.9
2-4 partners	29,049	32,470	11.8
5-10 partners	71,448	66,724	-6.6
11-25 partners	154,356	127,965	-17.1
From 2014-15 to 2015-16	**Mean premium 2014-15 (£)**	**Mean premium 2015-16 (£)**	**Percentage change (%)**
All firms	*29,478*	*27,209*	*-7.7*
Sole practitioners	9,448	8,773	-7.1
2-4 partners	29,848	29,049	-2.7
5-10 partners	85,095	71,448	-16.0
11-25 partners	161,070	154,356	-4.2

35. Although the mean premium costs have increased for smaller firms this year, they decreased for larger firms. As the table illustrates, practices with 2-4 partners faced an 11.8 per cent increase in their mean premium, while the mean premium paid by firms with 11-25 partners fell by a substantial 17.1 per cent.

36. The mean premium as a percentage of turnover remained unchanged at 4.8 per cent, perhaps reflecting the uneven growth in the market for legal services, where some small firms have faced challenges, while 'firms with five or more partners have experienced significant income growth rates of between eight per cent and 20 per cent'.[3] So, as a practical matter, while premiums have increased by 6.2 per cent as a percentage of turnover for firms with 5-10 partners, the parallel increase in turnover will in many instances mean that practices have more money left over after paying for their PII. Firms of other sizes actually saw their premiums reduce as a percentage of turnover; by more than a quarter in the case of those with 11-25 partners.

Percentage change in mean PII premium as percentage of turnover

	Mean 2015-16 premium cost as percentage of turnover (%)	Mean 2016-17 premium cost as percentage of turnover (%)	Percentage change (%)
All firms	*4.8*	*4.8*	*0.0*
Sole practitioners	7.0	6	-14.3
2-4 partners	5.5	4.6	-16.4
5-10 partners	3.2	3.4	6.2
11-25 partners	3.9	2.9	-25.6

37. The proportion of practices with premiums that cost more than 10 per cent of their gross fee income increased, from seven per cent to 11 per cent, but the proportion of practices paying less than one per cent also increased from nine per cent to 10 per cent.

Excess amounts

38. The mean excess amount increased by seven per cent between 2015-16 and 2016-17, from £4,425 to £4,738.

Top-up cover

39. The average cost of top-up cover this year rose by a modest one per cent, to £7,750.

40. There was a slight increase in the proportion of firms purchasing top-up cover this year, from 19 per cent to 22 per cent. But this obfuscates substantial differences in take-up between firms of different sizes: 90 per cent of firms with 11-25 partners purchased top-up cover, as did 68 per cent of firms with 5-10 partners. But the take-up among smaller firms was much lower: just 22 per cent of firms with 2-4 partners, and seven per cent of sole practitioners purchased additional cover.

41. The overriding reason for purchasing top-up cover was to provide security for the particular type or types of work that firms were undertaking; this was the

[3] http://www.globallegalpost.com/big-stories/law-firms-enjoy-third-successive-year-of-growth-93073066/

reason given by 55 per cent of firms, rising to two-thirds of practices with 11-25 partners. It was also a particularly strong motivating factor for those engaged in conveyancing work. A desire for extra security was cited by 30 per cent of firms, 16 per cent bought it out of habit, 11 per cent because of the particular characteristics of their clients, and two per cent as a result of discussions with their brokers.

42. The mean amount of top-up cover purchased increased three per cent, from £6.22 million to £6.435 million.

43. Among those firms purchasing top-up cover, the proportion of practices purchasing up to £2 million fell by almost a fifth to 29 per cent, but the proportion purchasing £2 million to £5 million increased by 23.1 percent to almost a third, and the proportion of firms purchasing top-up cover of £10 million to £20 million ballooned by 71.4 per cent to 12 per cent. There was a 40 per cent reduction in the proportion of practices purchasing more than £20 million of top-up cover, but this was from a very low base.

Run-off cover

44. The median cost of run-off cover has held steady at a historically high 300 per cent of annual premium, after a surprise 20 per cent increase in 2015-16.

Cyber insurance

45. Online scams are a fact of life for solicitors and their clients. Firms are being targeted with bogus e-mails, and more sophisticated cyber-attacks, by scammers attempting to steal money from client accounts or steal confidential data. Firms of all sizes are vulnerable.[4]

46. The survey found that almost a quarter of firms had taken out cyber insurance. This included 17 per cent of sole practitioners, 25 per cent of firms with 2-4 partners, and 42 per cent of practices with 5-25 partners.

47. Factors motivating the decision to take up cyber insurance might include a wish to avoid reputational risk or over-zealous regulatory attention, but it is also increasingly common for clients to request that firms have this type of cover.

48. 40 per cent of firms had not considered taking out cyber insurance and 32 per cent had considered it, but ultimately decided not to.

Post six year run-off cover

49. Last year's PII survey found that 96 per cent of firms were aware of the Solicitors Indemnity Fund (SIF), which has provided post six year run-off cover to ceased firms. But, this year's survey found that just a little over a third of firms were aware that SIF is due to close in 2020, with awareness rising to more than half of practices with 11-25 partners.

[4] http://www.lawsociety.org.uk/support-services/practice-management/scam-prevention/practical-tips-to-protect-your-firm-from-scams/

50. A little over two-fifths agree that it should be mandatory for firms to purchase run off cover beyond the current six years, when SIF cover is no longer available, (although the reality is that any firm closing after 2014 would not be covered by the SIF in any case, as their standard six year run-off cover would be in place until after the fund's closure).

51. A substantial majority of firms, 70 per cent, indicated that they would consider purchasing post six year run-off cover. But support for the idea fell to a little over half of firms with 11-25 partners. Speculatively, this discrepancy might be explained by the generally better risk management processes and greater financial stability of larger firms, as well as the expectation that they can be sold on as a going concern.

52. Almost two-fifths of firms said that they would be willing to pay 200 per cent of their current premium for post six year run-off cover, with 10 per cent prepared to pay even more.

Claims

53. There were insurance claims made against 13 per cent of firms.

54. Larger practices were far more likely to have claims made against them, presumably as a consequence of their greater volumes of work. 43 per cent of firms with 11-25 partners experienced a claim, compared to 34 per cent of firms with 5-10 partners, 17 per cent of firms with 2-4 partners, and just four per cent of firms run by a sole practitioner.

55. Over a five year period, 22 per cent of firms had received insurance claims against their firms. This included 63 per cent of firms with 11-25 partners, 40 per cent of firms with 5-10 partners, 26 per cent of firms with 2-4 partners, and 12 per cent of sole practitioners.

Risks

56. The top five risk factors with the potential to increase the cost of premiums experienced by firms in the previous 12 months were:

26%	'Notified insurer of circumstances that may give rise to a claim against the firm'
19%	'Increase in the number of fee earners'
15%	'Increase in the amount of conveyancing work done'
13%	'Insurance claim made against the firm'
10%	'Decrease in the number of fee earners'

57. With the exception of 'decrease in fee earners', which was most common among firms with 2-4 partners, the other risks listed above were all more likely to arise in larger practices. For instance, among firms with 11-25 partners, 78 per cent notified their insurers about circumstances that might lead to a claim, 61 per cent had an increase in their number of fee earners, and 39 per cent were doing more conveyancing.

58. The survey also found that over a five year period, 56 per cent of larger practices undertook work for clients or companies outside the UK.

Scams

59. Once again this year, the survey included questions about firms' experience of scams. In the worst case scenario, a scam can result in a firm having to close and partners being held personally liable.

Experience of scamming

60. Over a quarter of firms reported having been targeted by scammers in the previous year, with larger firms more likely to be victims of scam attempts. Only 18 per cent of sole practitioners said that they had been targeted, compared to 28 per cent of 2-4 partner firms, 50 per cent of 5-10 partner firms, and 64 per cent of 11-25 partner firms.

Types of scam

61. Of the 26 per cent of firms that reported having experienced a scam, the most common attacks they experienced were:

83%	'Spam e-mails/phishing'
16%	'Malware/computer viruses'
13%	'Cyber attack'

Actions taken as a result

62. The proportion of practices adopting each of the top five responses to experiencing a scam were:

34%	'Updated existing security systems'
19%	'Contacted the police'
16%	'Contacted their bank'
14%	'Took no action'
11%	'Contacted the SRA'

63. The 14 per cent that took no action after being targeted might seem high, but it should not necessarily be interpreted as complacency or neglectfulness, because, based on the questions included in the survey, it is not possible to gauge the seriousness of any scams, or even whether or not they were successful.

64. Only seven per cent of firms that had experienced a scam responded by contacting their broker, but the prevalence of online scamming must also be one of the factors driving the uptake of cyber insurance (see the *Cyber insurance* section, above).

Awareness of resources

65. There have been isolated incidences, following a scam, where an insurer has raised a firm's premium upon renewal, and even raised the cost of run-off cover. To mitigate this risk, the Law Society provides advice for firms which have been scammed on how to meet their regulatory obligations, survive and recover, in the form of a practice note, *Protecting your firm if you fall victim to*

a scam.[5] The practice note has been amended to reflect knowledge gained from practical experience, and was most recently updated in December 2016.

66. The survey found that 90 per cent of firms were aware of the practice note, and almost half had used it.

67. Of those that had used the guidance, 85 per cent found it helpful, and only four per cent found it unhelpful.

68. Since 2016, the Society has stepped up its messaging and advice to members, launching a new website page dedicated to cybersecurity and scam prevention, and related training and products.[6] It also provides members with access to a cybersecurity marketplace, where trusted providers offer special deals and discounts.

69. Firms are encouraged to ensure that they keep their awareness and training up to date, as the nature of scams can change quickly.

Barriers, costs, risks and cover of closing a firm

70. Just two per cent of firms made use of the extended indemnity period (EIP), which allows for a 30-day extension on an existing PII policy, while a practice attempts to secure further cover. However, it is not only distressed firms struggling to renew their policy that value the EIP; previous PII surveys have established that some firms which have made the decision to close (for example, planned retirement) find it a helpful facility for managing an orderly exit. Practices with 2-4 partners were twice as likely to avail themselves of the EIP.

71. It remains a matter of concern that the median cost of run-off cover for all firms is still 300 per cent of final premium, (especially when just 10 per cent of firms were willing to pay more than 200 per cent of final premium). As noted in last year's response, the ongoing high cost of run-off cover will continue to be a barrier to retirement for some firms.

72. The last insurer on cover is obliged to provide run-off cover to the closing firm. There is however no obligation on the firm to take this cover from the insurer; the firm may shop around for run-off cover. But historically, the market for run-off cover has not been competitive and this has resulted in higher costs and a barrier to retirement for firms wishing to close.

SRA reforms

73. Since 2014, the SRA has been attempting to reform PII, and it has announced its intention to mount a large-scale consultation on changes to its minimum terms and conditions in 2018.

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[5] http://www.lawsociety.org.uk/support-services/advice/practice-notes/protecting-your-firm-if-you-fall-victim-to-a-scam/

[6] http://www.lawsociety.org.uk/support-services/practice-management/cybersecurity-and-scam-prevention/

74. Just over two-thirds of firms said that they were aware that the SRA is planning to consult on reforms to the minimum arrangements of PII this year.

75. While 37 per cent of firms regarded changes in regulatory arrangements as unnecessary, 44 per cent believed that there was a need for reform. Of those that thought change was required, the proportion that were in favour each of the top five recommendations were:

42%	'Easier process of application'[7]
20%	'Lower premiums/minimum cover'
10%	'Taking into account claims history/risk'
8%	'Different renewal dates and cover periods'
7%	'Change run-off provisioning'

76. 69 per cent of practices think that the current indemnity limits set out in the SRA's minimum terms and conditions (£2 million, or £3 million for limited liability partnerships) are 'about right'.

BAME firms' PII experience

77. As part of its ongoing commitment to ensure that solicitors remain an independent, strong, diverse and effective profession, the Society once again included a series of questions in the survey designed to better understand the PII experience of firms with at least half of partners from Black, Asian and Minority Ethnic (BAME) backgrounds.

78. In the past, some small firms and sole practitioners have reported difficulties in obtaining PII, and BAME-majority practices tended to be heavily represented among smaller firms. BAME firms also carry out a lot of work in conveyancing and immigration, areas which insurers have traditionally regarded as risky.

79. This year, 16 per cent of firms reported having more than half of their partners from a BAME group.

Difficulty

80. The survey's findings indicate that overall, BAME and non-BAME firms had a fairly similar renewal experience; 71 per cent of BAME firms did not experience any real difficulties compared to 77 per cent of non-BAME firms.

81. Only a relatively small proportion of firms of any kind perceived actual difficulties in the process; 16 per cent of BAME firms, compared to 11 per cent of non-BAME firms. However it is notable that, proportional to BAME firms, 31 per cent more non-BAME firms said that the PII renewal process was 'not at all difficult', and 83.3 per cent fewer said that it was 'very difficult'.[8]

[7] 19 per cent suggested using 'a standard application form'.

[8] The proportion of practices that found the process 'very difficult' was just two per cent of all firms; but within that, were six per cent of the BAME firms, and only one per cent of non-BAME firms.

Cost of cover

82. In terms of the premiums paid by BAME and non-BAME practices, there are positive signs. Last year the mean premium of a BAME firm, as a percentage of its turnover, was 6.6 per cent, compared to just 4.8 per cent for non-BAME firms, which meant that BAME firms were paying 37.5 per cent more, as a percentage of turnover, for their PII. This year however, the cost for BAME firms was 4.9 per cent of turnover, compared to 4.7 per cent for non-BAME firms; a disparity of four per cent.

83. Although premiums remain slightly higher for BAME firms, unlike their non-BAME colleagues, they experienced a substantial fall in premium cost as a percentage of turnover; down 25.8 per cent on last year, compared to a decrease of just 2.1 per cent for non-BAME firms.

84. Proportionally, almost twice as many BAME firms had premium costs of under £5,000 per partner; 59 per cent of BAME firms, to 30 per cent of non-BAME firms. But at the other end of the spectrum, just three per cent of BAME practices pay more than £20,000 per partner, compared to 16 per cent of non-BAME firms. This presumably reflects the preponderance of BAME firms among smaller practices.

Risks

85. A smaller proportion of BAME firms were exposed to risk factors, than non-BAME firm, and this difference was particularly noticeable in relation to claims. In the previous 12 months, just 17 per cent of BAME firms notified insurers of circumstances that might give rise to a claim, compared to 29 per cent of non-BAME firms. Meanwhile, a tiny three per cent of BAME firms actually had an insurance claim made against them, compared to 17 per cent of non-BAME firms, an 82.4 per cent lower risk.

86. Over a five year period, BAME firms are still substantially less risky than non-BAME firms; 14 per cent had undertaken work for clients or companies outside the UK, compared to 24 per cent of non-BAME practices, and nine per cent had had an insurance claim made against them, compared to 27 per cent of non-BAME firms.

Demographics

87. The survey received responses from 601 firms, around 6.4 per cent of all practices in England and Wales.[9]

88. Most of the practices responding to the survey were long-established, with almost two-thirds having been in operation for more than 10 years, and just two per cent having been in existence for less than 12 months.

[9] The Law Society's Annual Statistical Report 2015 found that there were 9,403 private practice firms registered in England and Wales. You can read the executive summary here http://www.lawsociety.org.uk/support-services/research-trends/documents/annual-statistics-report-april-2016/

89. In terms of the size of firms, 34 per cent had just one solicitor, 42 per cent had 2-5 (including partners), 15 per cent had 6-10, 7 per cent had 11-20, and just two per cent had 21-25.

90. Among sole practitioners, 35 per cent of respondents were approaching retirement, while for all other firms, 55 per cent reported having at least one partner approaching retirement.