IFF Research

Professional Indemnity Insurance Research 2013-14

Prepared for The Law Society
By IFF Research

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IFF Research

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1 Executive Summary

1.1 Since 2008, the Law Society has commissioned an annual survey to explore law firms' experiences of the PII market. This report details the findings of the 2013-14 survey, making comparisons to previous years where appropriate. The survey consisted of 595 interviews with firms conducted between late November 2013 and late January 2014. The survey covers firms with up to 25 partners.

The PII renewal process

1.2 Three quarters of firms (76%) reapplied to their 2012-13 insurer to obtain a quote for 2013-14 PII cover. This is a lower proportion than has been seen in previous years (the figure for 2013 was 91%) and probably reflects some of the recent changes that have taken place in the market. Larger firms were more likely to seek to renew their PII cover with the same insurer.

1.3 Among firms that sought to renew their cover with their existing insurer, the majority (83%) were offered cover for 2013-14. This is however a smaller proportion than last year when 94% of those who sought a quote were made an offer by the insurer. Again this is likely to reflect the withdrawal from the market of some insurers.

1.4 As has been seen in previous years, the importance of brokers in the arrangement of PII cover is clear. The vast majority of law firms (87%) used at least one broker to obtain a quote for their 2013-14 cover while only 19% of firms approached an insurer direct. The way in which firms use brokers differs considerably by size. The majority (73%) of 11-25 partner firms used only one broker, and only one per cent of the largest firms used four or more brokers. By contrast, 43% of sole practitioners used only one broker, and 14% used four or more. It is possible that this is the result of larger firms being more likely to have an established relationship with a PII broker than smaller (and newer) firms. The use of multiple brokers may also reflect some confusion among firms about which companies are brokers and which are insurers, with this confusion being more common among smaller firms.

1.5 Firms were asked what level of service they had agreed with brokers approached for a quotation. Overall a third of applications made to brokers (36%) resulted in no level of service being agreed. A third (34%) of applications resulted in an advisory and execution service being agreed and 24% in an execution only service being agreed. The likelihood to have agreed a level of service increased with size of firm. Where a service level was agreed, applications from smaller firms were more likely to result in an execution only service being agreed and applications from larger firms were more likely to result in an advisory and execution service being agreed.

1.6 Firms were asked whether they would ultimately prefer to use a direct route to insurers rather than a broker; around a third of firms (35%) stated they would rather go directly to insurers, almost half (47%) stated they would prefer to use a broker and 17% stated that they had no preference. Small firms were particularly likely to express a preference for going directly.

1.7 The four insurers approached most frequently in 2013-14 (either directly or via a broker) were Travelers, QBE, Alpha and Zurich. The biggest change between insurers approached in 2012-13 and 2013-14 was the large decrease in the proportion of firms approaching XL (who were the most frequently approached provider in 2012-13). Two new entrants to the market – Berliner (which withdrew before signing any policies) and Chancery PII – were both approached by five per cent of firms in 2013-14.

1.8 The majority of applications (77%) led to an offer of 2013-14 cover. However, this is the second year in a row that this figure has decreased (83% of PII cover applications for the 2012-13 period resulted in an offer being made and 90% of applications for the 2011-12 period resulted in an offer).

1.9 Just under half (45%) of firms stated that, generally, they tended to shop around and get a variety of quotes when selecting an insurer for their PII cover; 38% of firms stated that they tend to renew their firm's policy with their existing insurer and 16% of firms stated their approach varies too much to answer. The stated approach taken varies by size of firm, with larger firms being more likely to get a variety of quotes than smaller firms (57% of 11-25 partner firms and 53% of 5-10 partner firms compared with 42% of sole practitioners).

1.10 Over half (55%) of firms who tended to get a variety of quotes sought these quotes from rated insurers only; while 37% of firms tended to get quotes from a mixture of rated and unrated insurers and only one per cent sought quotes from unrated insurers only (a further seven per cent said the type of insurer approached varies too much to answer). The likelihood of firms obtaining at least some quotes from unrated insurers decreases with size of firm (only 10% of 11-25 partner firms obtain quotes from rated and unrated insurers compared with 49% among sole practitioners). Among firms who approached both rated and unrated insurers, the majority agreed that in general unrated insurers were cheaper than rated insurers.

1.11 After an improvement in the perceived ease of the PII renewal process between 2011-12 and 2012-13, the proportion of firms reporting that the process was difficult increased in 2013-14 (with 23% of firms finding the process difficult) although the proportion remained lower than in 2011-12 and 2010-11. There were no significant differences by size of firm in the perceived difficulty of the process.

PII cover for 2013-14

1.12 While XL was the most commonly used provider in 2012-13, its share has fallen considerably by 20 percentage points, following the withdrawal from writing cover for firms with one to three partners. With the partial withdrawal of XL and the exit of Balva from the market, many other insurers have seen a slight increase in share, with Travelers now the most commonly used provider (insuring 17% or firms).

1.13 These changes in the market are also reflected in the fact that only just over half (53%) of firms re-insured with their 2012-13 insurer compared with 65% last year.

1.14 The proportion of firms using unrated insurers was 21%, in line with 23% in 2012-13. Overall, 23% of sole practitioners and 25% of 2-4 partner firms used unrated insurers, compared with just 2% of 5-10 partner firms, and none of the largest firms.

1.15 The cost of premiums remains by far the most influential factor on decisions about which insurer to use, with nearly all firms stating that this important in their decision, and almost three-fifths (58%) stating that it was the most influential factor. However, the perceived financial security of the insurer has increased in importance in decision-making since 2012-13, with the proportion saying this was the main influence doubling (20% compared with 10% in 2012-13).

1.16 The median percentage of gross fee income spent on PII cover for 2012-13 was 4.6%; this is slightly higher than the 3.6% seen last year but remains below the proportions seen in 2010 and 2011. As in previous years, smaller firms paid a greater proportion of their gross fee income on average. Around a quarter of all firms paid premiums equivalent to in excess of 7.5% of their gross fee income.

1.17 Three-fifths of all firms (62%) experienced a decrease in the cost of their premiums this year while 30% experienced an increase and the remaining 8% saw their premiums remain at broadly the same level. This proportion experiencing an increase is higher than in 2012-13 (20%).

1.18 Almost one in twenty firms (4%) reported that they had made use of the 30 day 'Extended Indemnity Period' extension in 2013-14 while only one per cent of all firms went on to use the 60 day Cessation Period extension.

Claims and factors affecting costs of premiums

1.19 Within the last 12 months, nearly a third (31%) of firms had notified their insurer of circumstances that may give rise to a claim against the firm, while just under a fifth (17%) had had an insurance claim made against them. Unsurprisingly, the likelihood of having an insurance claim made against the firm increased with the size of firm from 9% of sole practitioners to 68% of 11-25 partner firms.

1.20 Looking at a 5 year period, nearly a third (31%) of firms had received an insurance claim against the firm.

1.21 Statistical regression analysis of the data on PII premiums paid was conducted to explore the factors with greatest influence on the level of premium paid. This indicated that the factors with the greatest influence on premiums paid are:

- Gross fee income in the past 12 months – this was the dominant determinate of the level of PII, explaining over half of the variance in premiums between firms;
- Number of Solicitors in firm – this accounted for a further fifth of the variance in PII costs;
- Type of work undertaken - with involvement in residential conveyancing and business/commercial affairs increasing premiums by a moderate amount. In addition an increased proportion of fee income derived from residential conveyancing or probate, wills and trusts appeared to result in a small increase in premiums. Conversely an increased proportion of fee income derived from crime, immigration, work with legally aided private individuals and employment law resulted in a small decrease in premiums.
- Use of the Extended Indemnity Period more than doubled premiums but only for a small number of firms.

Law Society Guidance

1.22 In a departure from last year's report, the survey sought to identify awareness of the Law Society's guidance on PII, available on its website.

1.23 Just over four-fifths (82%) of firms were aware of at least one of the types of Law Society guidance about PII that are produced. Awareness levels were highest for the PII Practice Note (70% were aware of this guidance). This was also the guidance that was regarded by firms as being the most useful.

Conclusions

1.24 The key conclusions that can be drawn from this research are:

- **There has been more flux in the market this year than in recent years.** The exit of Balva and partial withdrawal of XL has resulted in more movement in the market than has been seen previously. The proportion of firms who have remained with their previous insurer has declined significantly. The gains in market share that have resulted from these changes have been spread among a number of remaining insurers with AM trust gaining the largest increase in share. Chancery PII was a late new entrant which gained a 1% market share.
- **There is evidence that more firms have found securing PII more difficult this year.** The proportion reporting that they found the PII process difficult has increased from last year. In addition the proportion of applications that have resulted in offers of cover has decreased for the second year in a row. This might simply reflect an increased volume of applications because of market changes.

- **There is evidence to suggest that overall, premiums may have remained stable this year.** Many firms found their premiums had fallen though some firms found their premiums had increased.
- **There is evidence that the importance of an insurer's financial stability is having a greater influence on purchasing decisions,** but it is still overridden by cost as a factor in deciding which insurer to use.
- **Small firms experience the market very differently from their larger counterparts.** Smaller firms are more likely to use multiple brokers. Whether use of multiple brokers is due to small firms shopping around or merely difficulty in finding cover is not clear from the survey. Small firms are also less likely to agree a service level with a broker (perhaps in part reflecting some confusion between brokers and insurers). There are also considerable differences in the profile of insurers used by the smaller firms compared to the larger ones.
- **In particular small firms are much more likely to turn to unrated insurers.** None of the firms with 11-25 partners were insured with unrated insurers compared with around a quarter of both sole practitioners and 2-4 partner firms. This proportion however has remained relatively stable since last year.
- **Monitoring the PII market is important.** It provides for more transparency in which to make important purchasing decisions. Findings indicate that firms spend on average close to five per cent of their gross fee income on PII so it is a key area of expenditure. A high proportion of firms have experienced an actual/potential claim in the last 12 months.

2 Background

Background to the research

2.1 Since 2000, law firms have been required to arrange Professional Indemnity Insurance (PII) cover from insurers on the open market. Firms must have a PII policy in place by the 1st October deadline each year. Alternative business structures and limited liability partnerships must have at least £3m in compulsory cover. In all other cases (for example, sole practitioners and partnerships), must have at least £2m.

2.2 Prior to 2013, any firms that were unable to find the necessary cover were provided cover by the Assigned Risk Pool (ARP), which offered insurance at higher than market rates. Firms in the ARP are inspected and monitored by the Solicitors Regulation Authority at their own expense. The ARP closed to new firms in 2013, and an 'Extended Indemnity Period' (EIP) and 'cessation period' (CP) introduced to offer an additional 90 day extension period for firms who were unable to secure insurance by the 1st October deadline.

2.3 This 90 day period is comprised of two parts: firstly, the 30 day EIP, during which firms can continue to practice and try to find alternative cover. Firms that have not found cover at the end of the 30 days then enter the 60 day 'Cessation Period', during which firms are unable to accept new instructions, and, although they may continue trying to obtain qualifying insurance, the focus is to plan an orderly closure.

2.4 In recent years, firms have contacted the Law Society reporting increased premiums and delays in insurers returning quotes and offering cover. In response to this, the Law Society has commissioned research since 2008 to explore firms' experiences of the PII renewal process, to determine whether wider problems exist.

2.5 IFF were commissioned by the Law Society to conduct the 2013 survey, to identify firms' experiences of the PII renewal process for the period 2013-14. This report presents the findings from this research.

Research objectives

2.6 The 2013 survey sought to build upon the baseline data established in the 2008-2012 surveys – in particular looking at the following key research questions:

- What have been the trends in solicitors' use of the insurance market to secure cover in 2013?
- Has there been any change in the proportion of firms experiencing renewal problems?
- Is there any evidence to suggest differential treatment for particular types of firms and whether there is any indication that this has improved or deteriorated since 2012?

2.7 This year, an additional set of questions were asked to assess awareness of, and usefulness of, the Law Society's guidance for firms on PII.

Research methodology and sample

2.8 The Law Society provided a sample file of law firms in England and Wales, taken from its database. This file contained a named contact for each firm, typically the owner or a director, senior partner or partner.

2.9 A letter introducing the research was sent to the named contact at each firm in the supplied sample file in w/c 18th November 2013. Included with the letter was a pro-forma detailing the information sought in

the survey; firms were asked to prepare this information in advance of the interview. The letter and pro-forma sent to firms is included in this report as Appendices C and D.

2.10 Interviews were conducted using computer assisted telephone interviewing (CATI) targeting the person in the firm best placed to respond regarding the PII application process.

2.11 595 interviews were achieved between 25th November 2013 and 23rd January 2014.

2.12 In total, 1,143 firms were approached for an interview – a response rate of 52% (or 64% of the sample for which a definite outcome was achieved). This breaks down as follows:

Table 2.1: 2012 PII survey response rate

Outcome	Number
Completed Interview	595
Over quota	8
Not available in deadline	29
Refused to take part	302
No outcome achieved	92
Unobtainable / wrong number	117
Total	1,143

2.13 Within the target of 600, quotas were set according to the size of firm (based on the number of partners) in order to achieve robust bases for analysis among firms in the larger size bands (those with 5-10 and 11-25 partners). Firms with more than 25 partners were not eligible for the study – sample for firms known to have more than 25 partners was not supplied and any firms found to have more than 25 partners were screened out towards the beginning of the survey.

Table 2.2: 2012 PII survey quota targets

Number of partners	Number	% of overall target
1 (Sole practitioner)	175	29
2-4	175	29
5-10	150	25
11-25	100	17
Total	**600**	**100**

2.14 The profile of interviews achieved varied slightly from these quotas. Due to the small amount of sample available for larger firms, it was only possibly to achieve 91 interviews with 11-25 partner firms; additionally, in order to honour appointments that had been made, three additional interviews were achieved with 2-4 partner firms, and one with 5-10 partner firms. These slight variations (nine fewer interviews among 11-25 partner firms) have no statistical impact on confidence levels for this sub-sample.

2.15 The achieved profile of interviews by size and region is shown below in Table 2.3

Table 2.3: Profile of achieved interviews by size and region

	1 (sole practitioner)	2 – 4 partners	5 – 10 partners	11 – 25 partners	Total n.	Total %
Greater London	38	46	27	19	130	21.8
South East	58	45	24	22	149	25.0
Eastern	5	7	10	8	30	5.0
South West	13	8	19	8	48	8.1
Midlands region	18	21	15	15	69	11.6
North West	20	27	22	8	77	12.9
North East	13	15	23	8	59	9.9
Wales	10	9	11	3	33	5.5
Total number	**175**	**178**	**151**	**91**	**595**	
Total %	**29.4**	**29.9**	**25.4**	**15.3**		**100**

2.16 Data were weighted by size of firm (number of partners) and region to map to the Law Society's population figures for law firms across England and Wales using the figures shown in Table 2.4.

Table 2.4: Condensed population by size and region (used for weighting)

	1 (sole practitioner)	2 – 4 partners	5 – 10 partners	11 – 25 partners	Total n.	Total %
London (Greater, Central, City of London)	1,207	1,072	226	112	2,617	27.2
The South (SE, SW)	925	759	190	75	1,949	20.3
Midlands (WM, EM)	466	413	86	32	997	10.4
The North (NE, NW, Y&H)	644	527	112	38	1,321	13.7
Eastern England	902	1,046	256	62	2,266	23.5
Wales	178	232	51	10	471	4.9
Total number	**4,322**	**4,049**	**921**	**329**	**9,621**	
Total %	**44.9**	**42.1**	**9.6**	**3.4**		**100**

3 The PII renewal process

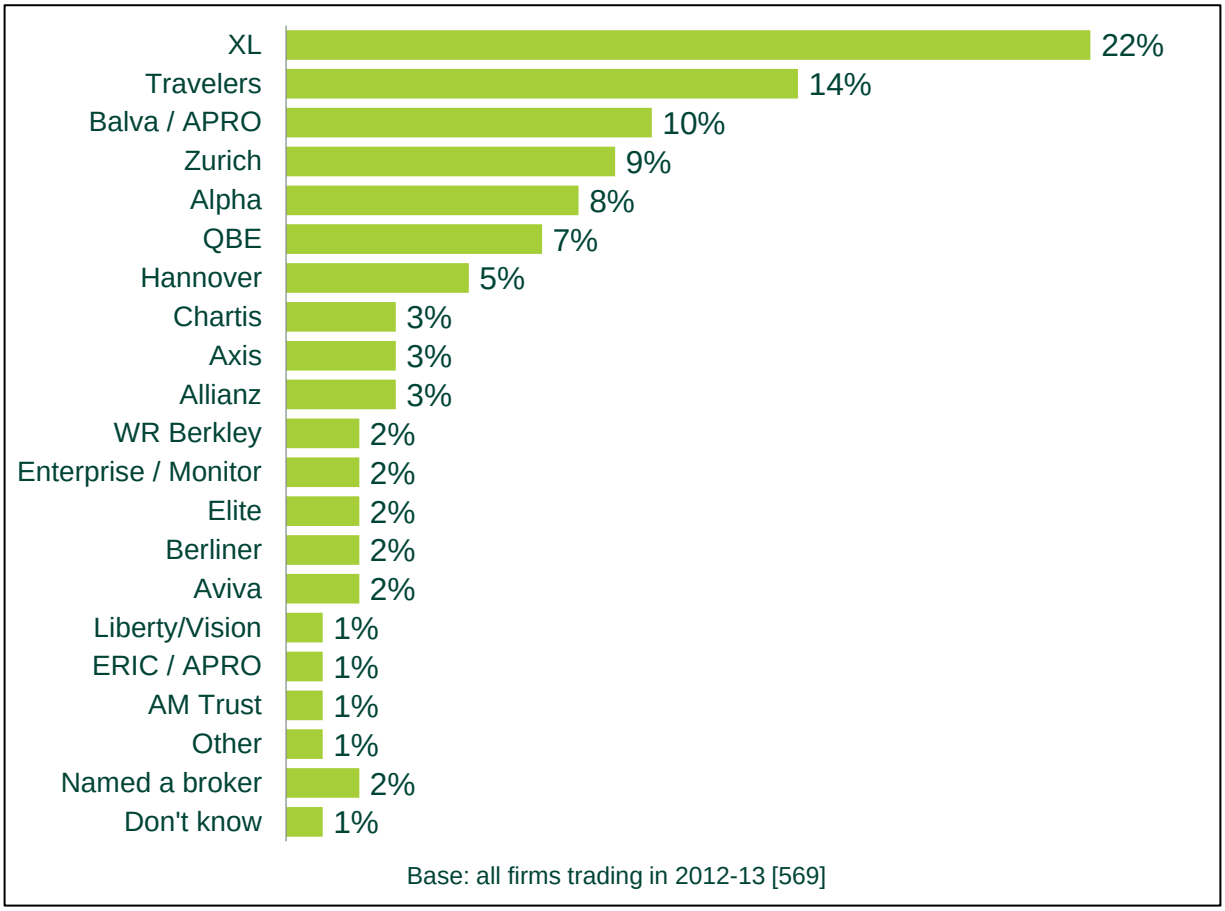
3.1 This chapter covers the application process for 2013-14 PII cover. It looks first at the firms' PII providers for the previous year (2012-13) and the extent to which firms reapplied to them for this year's cover. It then looks at the use of brokers and the broker application process (including perceptions of service received); the number of insurers applied to (either directly or via a broker); the outcomes of these applications, and firms' general usage and views on unrated and rated insurers.

PII cover for last year (the 2012-13 period)

3.2 The most commonly used provider reported for the 2012-13 period was XL, used by over a fifth (22%) of all firms. Three out of the four top four insurers (XL, Travelers and Zurich) remained the same as in 2011-12, though Hannover was replaced by Balva in 2012-13 as the third most commonly used insurer. Whereas the top four firms covered 61% of the market in 2011-12 they covered 55% in 2012-13.

3.3 Over one in five (23%) of firms used unrated insurers (Alpha, Balva, ERIC, Enterprise or Elite). Smaller firms were more likely to have used unrated insurers (23% of sole practitioners and 28% of 2-4 partner firms, compared with four per cent of 5-10 partner firms, and one per cent of 11-25 partner firms).

Figure 3.1: Insurers providing 2012-13 PII cover

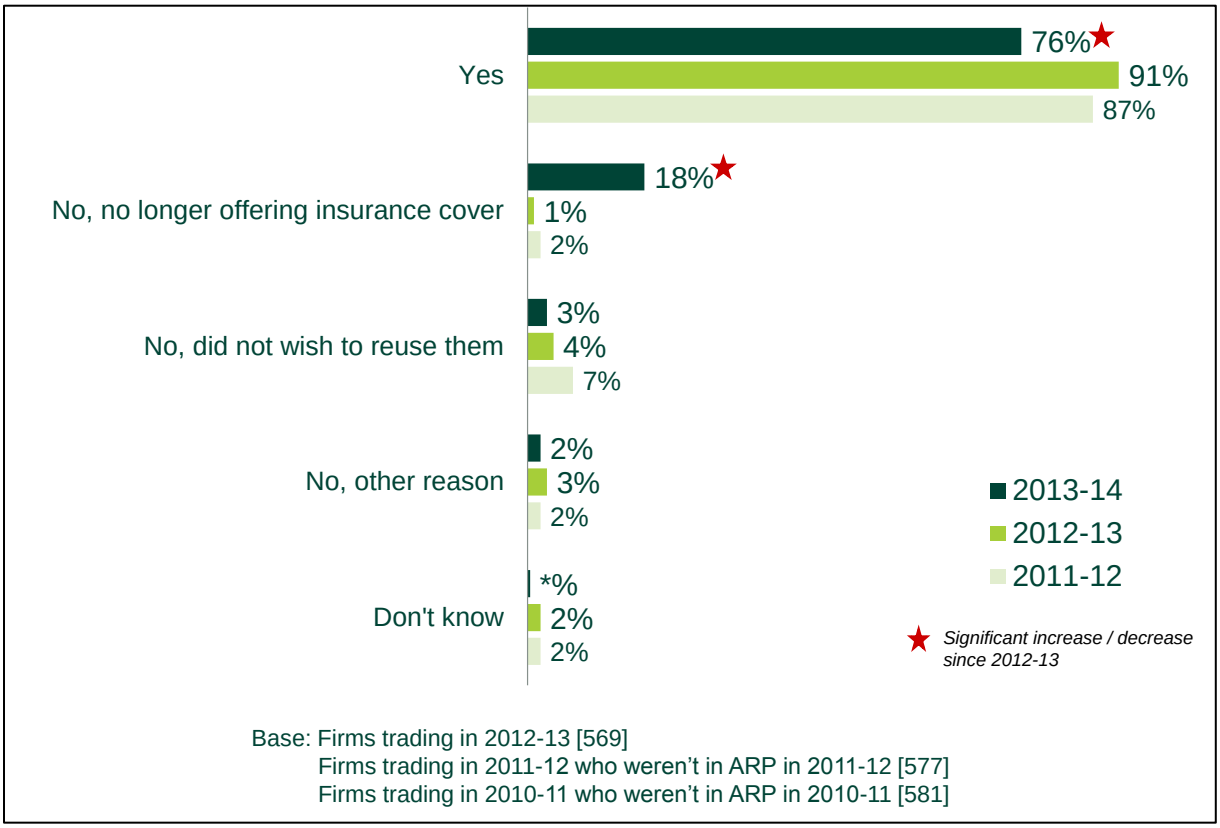


Re-applying in 2013-14 to 2012-13 insurers

3.4 Three quarters of firms (76%) reapplied to their 2012-13 insurer for 2013-14 PII cover. As shown in Figure 3.2, the proportion reapplying was lower than in the previous year's survey (91%). Larger firms were more likely to be seeking to renew their PII cover with the same insurer, with 97% of 11-25 partner firms and 90% of 5-10 partner firms seeking to renew with the same insurer compared with 74% of sole practitioners and 72% of 2-4 partner firms.

3.5 Linked to the above decrease in firms seeking to renew with the same insurer, firms were more likely than previous years to say that the insurer they had used last year was not offering insurance this year (18% gave this response compared with one per cent in 2012-13 and two per cent in 2011-12). Small firms were more likely to report this (20% of both sole practitioners and 2-4 partner firms gave this response compared with five per cent of 5-10 partner firms and one per cent of 11-25 partner firms). A large proportion of the firms giving this response were previously insured by either XL (42%) or Balva (36%).

Figure 3.2: Proportion re-applying to previous year's insurer



3.6 Among firms that sought to renew their cover with their previous years' insurer, the majority (83%) were offered cover for 2013-14. This is lower than the previous year's research, when 94% of those who sought to renew their cover were made an offer by the insurer. There was no difference by size of firm in terms of likelihood to be offered cover for 2013-14.

3.7 In terms of how the renewal offer was made, 44% of firms obtained an offer through an early renewal offer and 39% obtained an offer after applying to the insurer (either directly or through a broker). Sole practitioners were more likely than 11-25 partner firms to obtain an offer through an early renewal offer (47% compared with 32% respectively) whereas larger firms were more likely to obtain an offer through an application process (50% of 5-10 partner firms and 54% of 11-25 partner firms obtained an offer in this way compared with 32% of sole practitioners and 43% of 5-10 partner firms).

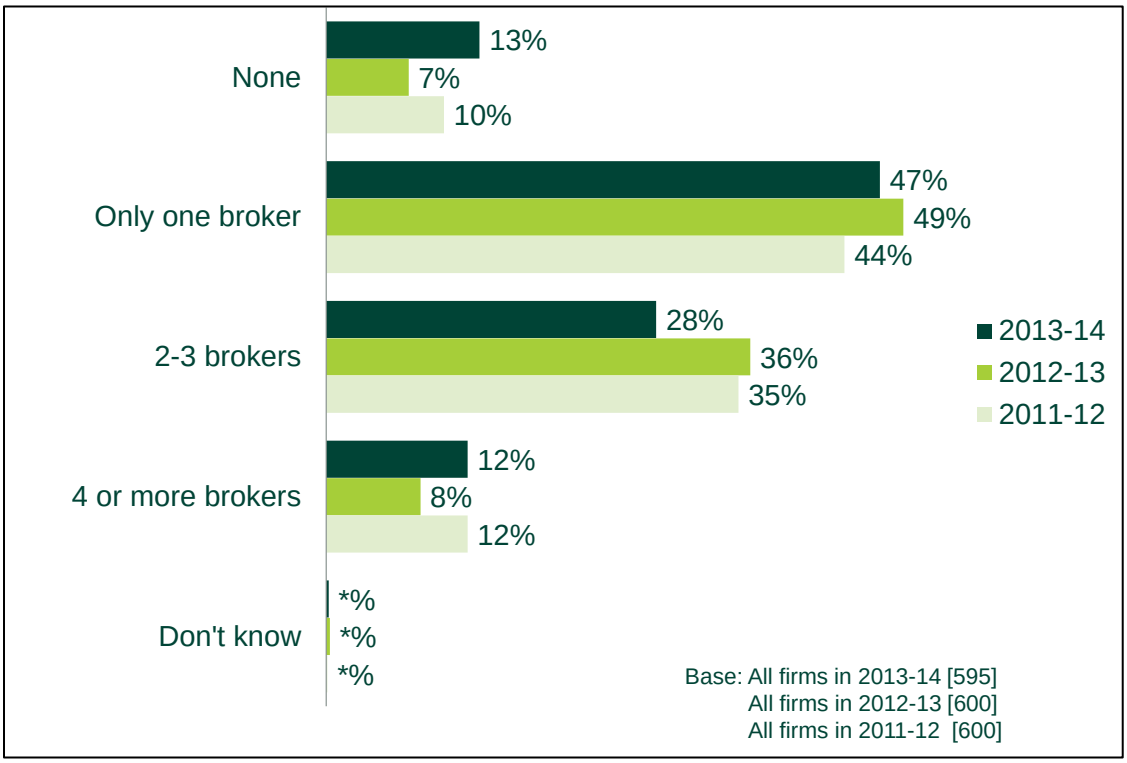
PII application process for the 2013-14 period

3.8 The vast majority of law firms (87%) applied to at least one broker for a quote for 2013-14. This is slightly lower than the 2012-13 applications (93%) but roughly in line with 2011-12 applications (90%).

3.9 The proportion of firms applying to one broker only was roughly the same in 2013-14 as in 2011-12 (47% compared with 49% respectively). Where applications were made to more than one broker firms were more likely to apply to a greater number in 2013-14 than in 2012-13; while a lower proportion of firms applied to 2-3 brokers in 2013-14 than in 2012-13 (28% compared with 36% respectively) a greater proportion applied to four or more brokers in 2013-14 than in 2012-13 (12% compared with 8% respectively).

3.10 As was the case with the precious year's research, in 2013-14 larger firms were more likely than smaller firms to apply to one broker only and smaller firms were more likely to apply to two or more brokers (40% of sole practitioners and 43% of 2-4 partner firms were more likely to apply to 2 or more brokers compared with 25% of 11-25 partner firms).

Figure 3.3: Number of brokers applied to for 2013-14 cover



3.11 As seen in last year's research, there was some variation in the number of brokers used according to the size of the firm (Figure 3.4). Larger firms were less likely to not use any brokers (less than one per

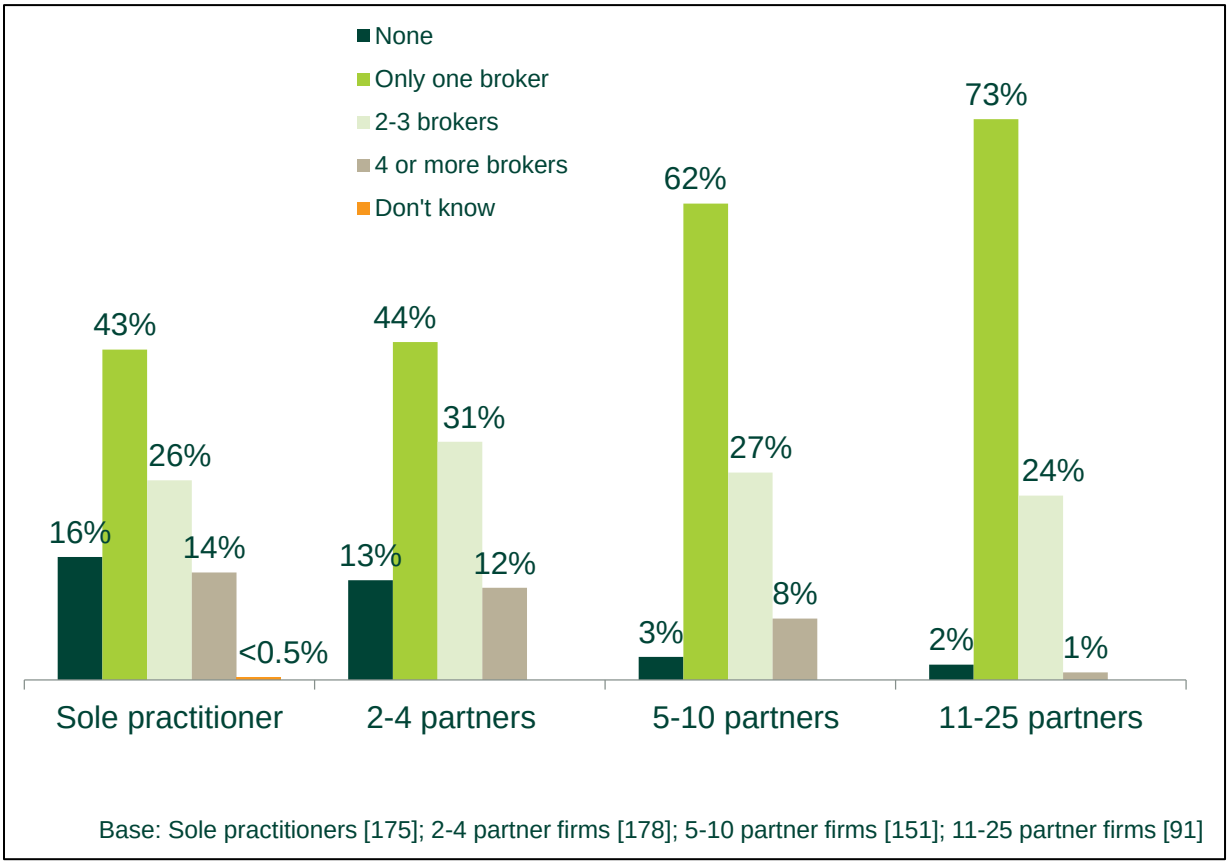
cent of the 11-25 partner firms, and three per cent of 5-10 partner firms did not use a broker, compared with 13% of 2-4 partner firms and 16% of sole practitioners).

3.12 However, among those firms that used brokers, larger firms also used fewer brokers on average than smaller firms did. The majority (73%) of 11-25 partner firms used only one broker, and only one per cent of the largest firms used four or more brokers. By contrast, 43% of sole practitioners used only one broker, and 14% used four or more. It is possible that this is the result of larger firms being more likely to have an established relationship with a PII broker than smaller (and newer) firms. The use of multiple brokers may also reflect some confusion among firms about which entities are brokers and which are insurers with this confusion being more common among smaller firms.

3.13 Compared with the previous year's research, although it was still the case that larger firms were more likely to apply to one broker only, a lower proportion of mid-size and larger firms (those with 5 or more partners) used one broker only in 2013-14 than in 2012-13 and a greater proportion of large firms applied to 2-3 brokers in 2013-14 than in 2012-13.

3.14 Conversely, 2-4 partner firms were more likely not be apply to brokers in 2013-14 than in 2012-13 (13% compared with two per cent respectively).

Figure 3.4: Number of brokers applied to

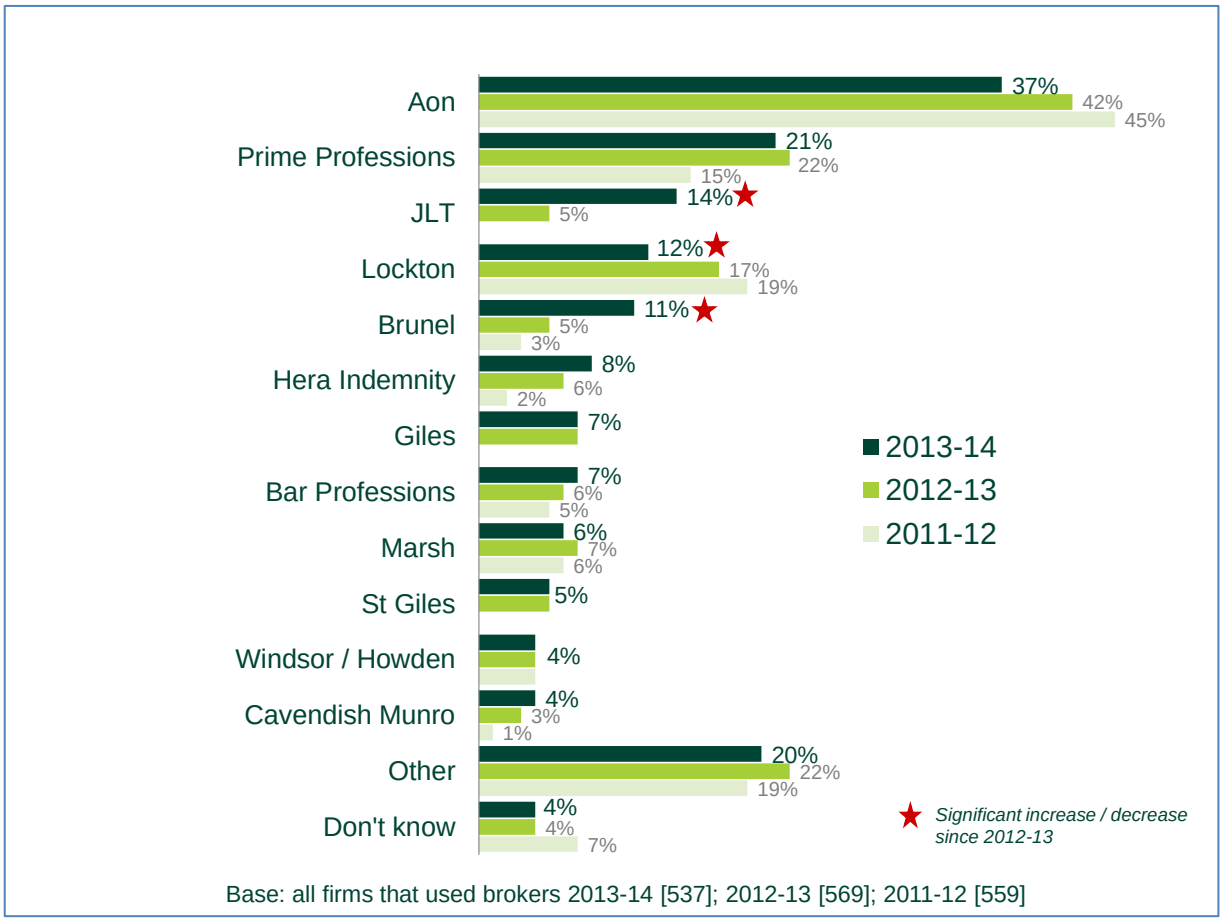


3.15 As shown in figure 3.5, In line with previous years, Aon was the most frequently used broker, contacted by 37% of law firms that used brokers for 2012-13 cover. The proportion of firms applying to Aon has decreased over the three previous years, and while this decrease was not significant between

2012-13 and 2013-14 it was significant when comparing the proportion applying to Aon in 2011-12 (45%) with the percentage applying to Aon in 2013-14 (37%).

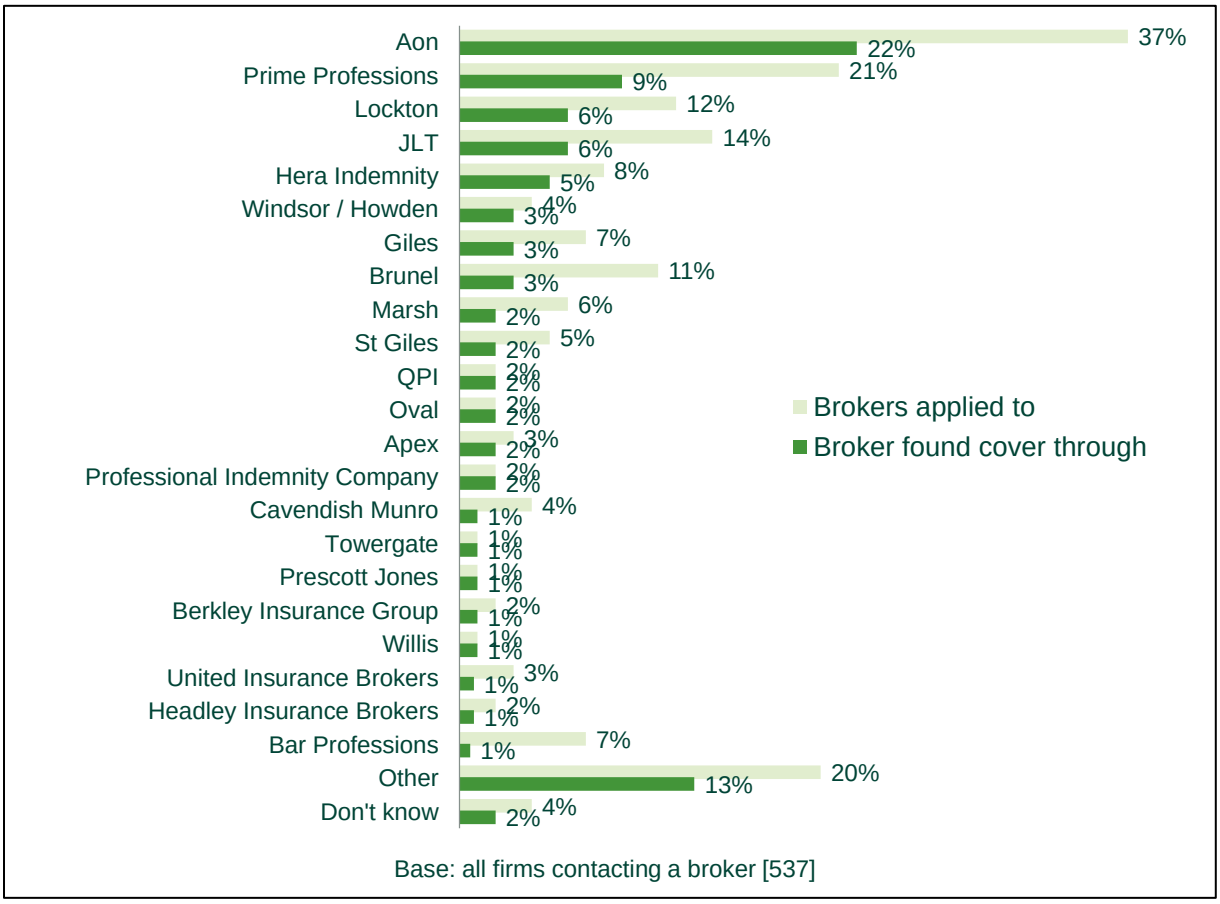
3.16 Levels of use of brokers remained broadly consistent between 2011-12 and 2013-14 except for an increase in use of JLT (not used in 2011-12, five per cent in 2012-13 and 14% in 2013-14) and Brunel (three per cent in 2011-12, five per cent in 2012-13 rising to 11% in 2013-14) and decrease in using Lockton (19% in 2011-12, 17% in 2012-13 and 12% in 2013-14).

Figure 3.5: Brokers applied to for PII quotes for 2013-14



3.17 Figure 3.6 shows the brokers that firms actually found cover through, compared with those that they applied to for quotes. For most of the larger brokers, roughly half of those applying went on to arrange cover. However among some of the smaller brokers (with the exception of Cavendish Munro and Bar Professionals), the results show that all or most applications resulted in an arrangement of cover.

Figure 3.6: Brokers applied to for PII quotes for 2013-14



The broker application process

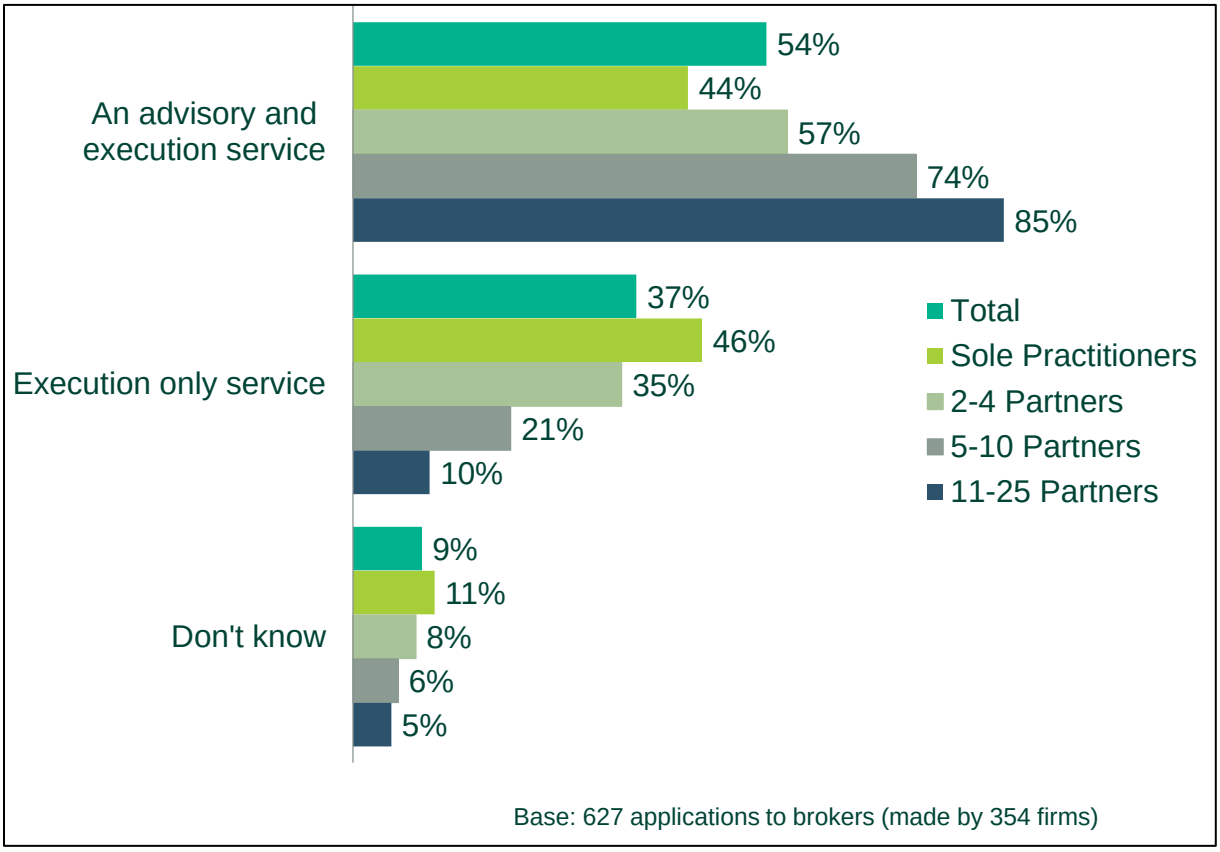
Level of service

3.18 Firms were asked what level of service they had agreed with brokers approached for a quotation. Overall a third of applications made to brokers (36%) resulted in no level of service being agreed and 58% resulted in an agreement on level of service (firms covering six per cent of applications were unsure what level of service had been reached). Likelihood of agreeing a level of service increased with size of firm (54% of applications by sole practitioners and 59% of applications by 2-4 partner firms resulted in some level of service being agreed compared with 69% of applications from 5-10 partner firms and 75% of applications from 11-25 partner firms).

3.19 In figure 3.7 below the figures have been rebased to exclude applications where level of service with brokers was not agreed. Where the level of service was agreed it was more likely for firms to have agreed an advisory and execution service than an execution only service (54% compared with 37%). For applications where a level of service was agreed sole practitioners were evenly split between having agreed and advisory and execution service (44%) and an execution only service (46%). Firms in the other three sizebands were more likely to have agreed an advisory and execution service, with the largest firms being the most likely to have done so (this level of service had been agreed by 57% of 2-4 partner firms, 74% of 5-10 partner firms and 85% of 11-15 partner firms).

3.20 The results are consistent with last year's PII research where an advisory and execution service had been agreed by 44% of sole practitioners, 60% of 2-4 partner firms, 67% of 5-10 partner firms and 86% of 11-25 partner firms.

Figure 3.7: Level of service agreed with brokers



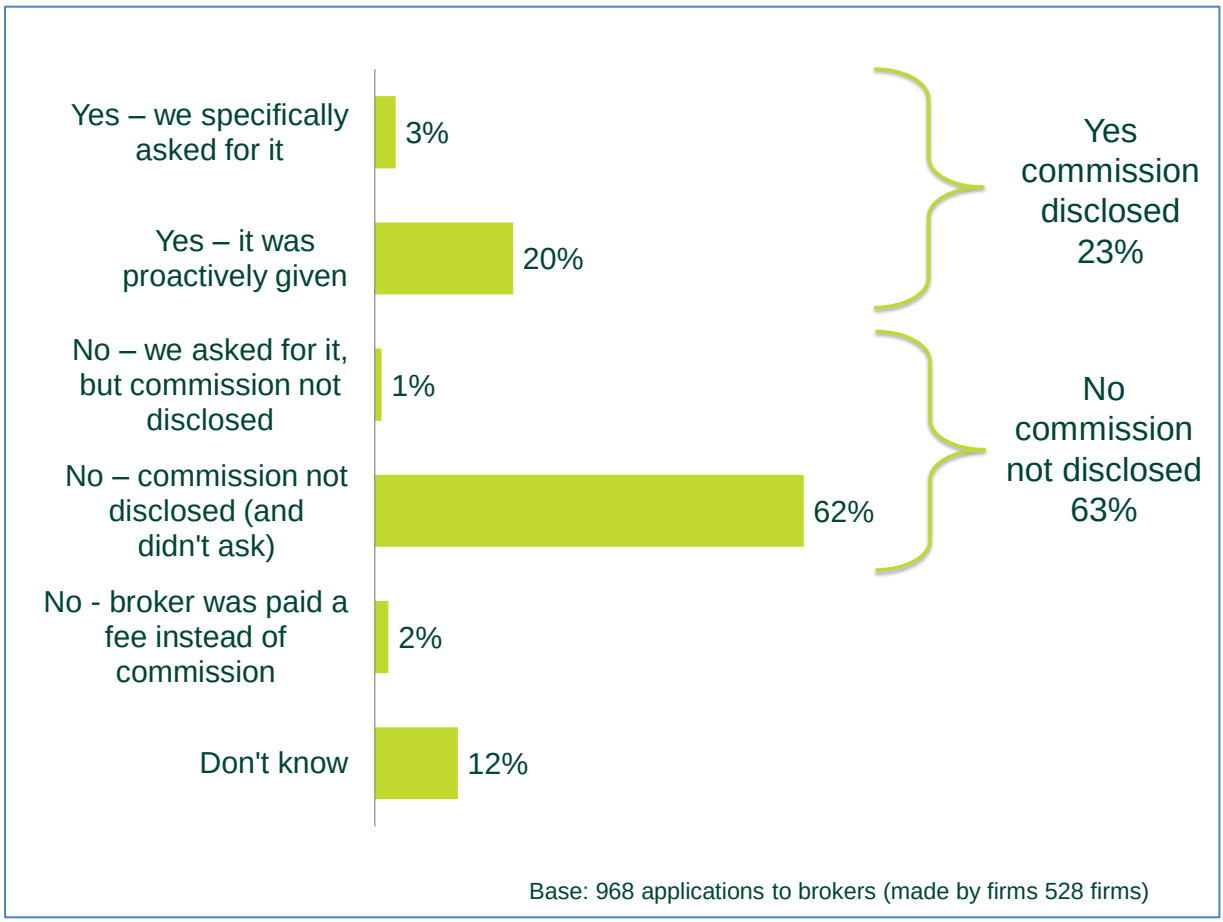
Commission

3.21 Firms were asked whether they were aware of the remuneration structures of the brokers that they used. For two thirds of applications (63%) firms reported that the broker did not disclose their commission at all. This represents an increase in non-disclosure since last year's PII research when commission was no disclosed in 53% of cases.

3.22 In 2013-14, in the 23% of applications were commission was disclosed, firms reported that in 20% of applications commission was disclosed by brokers proactively and in three per cent of applications firms had asked brokers to provide this information.

3.23 Larger firms were more likely to report that commission had been disclosed (in 43% of applications from 11-25 partner firms and 29% of applications from 5-10 partner firms commission was disclosed, compared with commission being disclosed in 25% of applications from 2-4 partner firms and 19% of applications from sole practitioners). It is not the case that larger firms were more likely to ask for commission to be disclosed, in fact larger firms were more likely to report that brokers disclosed their commission proactively (in 36% of applications from 11-25 partner firms and 26% of applications from 5-10 partner firms commission was disclosed proactively, compared with commission being disclosed proactively in 21% of applications from 2-4 partner firms and 16% of applications from sole practitioners).

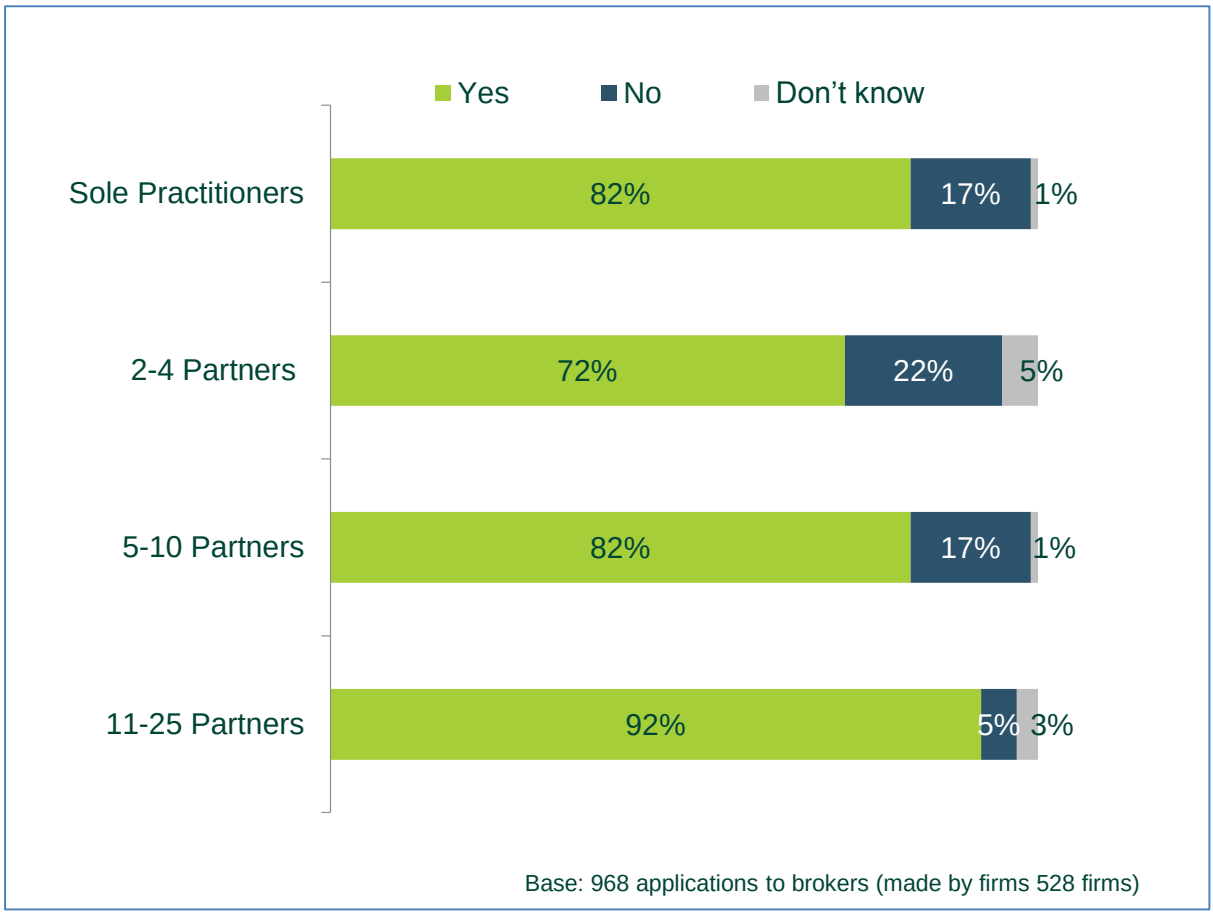
Figure 3.8: Brokers applied to for PII quotes for 2013-14



Perceptions of service received

3.24 In general, firms considered that brokers had kept them adequately informed regarding the progress of their applications (78%). As shown in Figure 3.9 below, this was slightly less likely for 2-4 partner firms, among whom 72% believed they had been kept adequately informed, and a fifth did not consider that this was the case. Brokers most likely to be reported by firms as keeping them adequately informed were JLT (92% of applicants to JLT felt they had been kept adequately informed), Lockton (82%), Brunel (82%) and Giles (81%).

Figure 3.9: Whether brokers kept firms adequately informed (based on total applications)



3.25 In six out of ten (60%) applications, firms were satisfied with the overall level of service received from brokers. Larger firms were more likely to be satisfied with level of service received (81% of 11-25 partner firms and 73% of 5-10 partner firms were satisfied, compared with 54% of 2-4 partner firms and 61% sole practitioners).

3.26 Levels of satisfaction with brokers' overall service varied, with the highest levels of satisfaction among those approaching JLT (74% satisfied) and the lowest levels of satisfaction among those approaching Brunel and Prime Professions (43% satisfied).

Table 3.1: Overall satisfaction with service received from broker (based on applications)

	Base	Very satisfied	Satisfied	Neither / nor	Dissatisfied	Very dissatisfied	All dissatisfied	All satisfied	Don't know
Base: all applications to brokers	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*%*
All applications	***968***	***32%***	***28%***	***23%***	***10%***	***6%***	***16%***	***60%***	***2%***
JLT	52	40%	34%	16%	8%	2%	10%	74%	1%
Hera Indemnity	40	35%	36%	18%	11%	-	11%	71%	-
Lockton	81	42%	28%	10%	15%	4%	19%	70%	1%
Aon	189	25%	38%	17%	15%	4%	19%	63%	2%
Bar Professions*	27	22%	37%	26%	5%	6%	11%	59%	4%
Giles*	33	29%	28%	30%	9%	4%	13%	57%	-
St. Giles*	22	28%	26%	29%	5%	3%	9%	54%	9%
Marsh	52	33%	20%	31%	6%	8%	13%	53%	3%
Prime Professions	105	22%	21%	38%	13%	6%	19%	43%	-
Brunel	45	21%	22%	29%	12%	13%	25%	43%	3%
*Caution low base									

3.27 The most common reason for dissatisfaction with brokers was having to chase the broker for a response (mentioned by 58% of those who were dissatisfied with a broker approached), poor customer service, such as the broker being perceived as rude / unhelpful (21%), the broker not offering a quote (13%) and the firm commenting that they obtained a better quote elsewhere (10%). It should be noted, however, that only eight per cent of dissatisfied firms made a complaint to brokers.

2013-14 PII applications to insurers directly or via brokers

3.28 Firms were asked whether they would ultimately prefer to use a direct route to insurers rather than a broker. Around a third of firms (35%) stated they would rather go directly to insurers, almost half (47%) stated they would prefer to use a broker and 17% had no preference.

3.29 Smaller firms were more likely to prefer to go directly to insurers than larger firms (39% of sole practitioners and 2-4 partner firms held this preference; compared with 13% of 5-10 partner firms and ten per cent of 11-25 partner firms). Conversely larger firms stated they would prefer to use brokers than approach insurers directly (79% of 11-25 partner firms and 69% of 5-10 partner firms gave this preference compared with 43% of 2-4 partner firms and 44% of sole practitioners).

3.30 In terms of firms' behaviour in practice, one in six (19%) law firms approached insurers directly for PII quotes, without the assistance of a broker. This is an increase since 2012-13, when 12% of firms made direct approaches of this kind and on the same level as 2011-12, when 18% of firms made direct approaches. Those firms that approached insurers directly were likely to approach only one insurer.

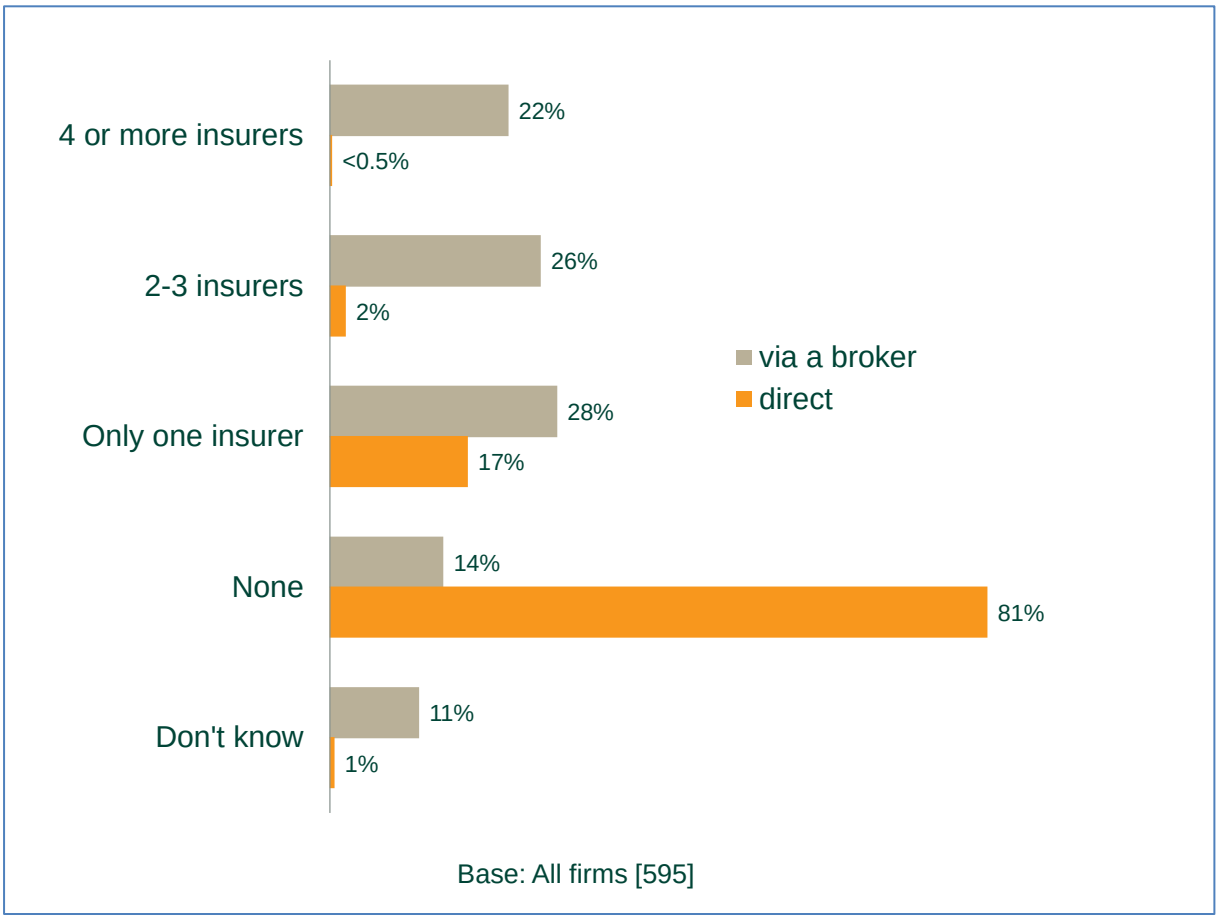
3.31 As discussed earlier, the vast majority of firms approached insurers via a broker, with only 14% stating that they did not approach any insurers in this way. This is slightly higher than 2012-13 when only eight per cent of firms stated they did not use a broker and in line with 2011-12 when 12% of firms did not use a broker.

3.32 Firms were almost as likely to approach 2-3 insurers via a broker as they were to approach only one insurer via a broker (26% compared with 28% respectively). A further one in five (22%) of firms approached four or more insurers via a broker and one in ten (11%) firms did not know how many insurers they had approached through brokers.

3.33 Large firms were likely to have approached more insurers via brokers than smaller firms. A third (34%) 11-25 partner firms and the same proportion of 5-10 partner firms reported approaching four or more insurers in this way. This compares with only a fifth (20%) of sole practitioners, and the same proportion of 2-4 partner firms. By contrast, only one in ten (11%) 11-25 partner firms approached just one insurer, compared with over a quarter of all the other size categories. This is broadly in line with last year's findings.

3.34 Larger firms, however, were less likely than smaller firms to have approached insurers directly. Just five per cent of 11-25 partner firms said that they had approached an insurer directly (one per cent they had approached two or more insurers directly). This compares with 23% of sole practitioners and 20% of 2-4 partner firms.

Figure 3.10: Number of insurers applied to for 2013-14 cover directly or through a broker



3.35 The four insurers approached most frequently in 2013-14 (either directly or via a broker) were Travelers (23%), QBE (19%), Alpha (16%) and Zurich (12%). As shown in in figure 3.11 the significant change between insurers approached in 2012-13 and 2013-14 was the significant decrease in the proportion of firms approaching XL; this insurer had been the most frequently approached provider in 2012-13 but due to it effectively ceasing to provide PII cover in 2013-14 the proportion of firms approaching this provider fell from 28% in 2012-13 to seven per cent in 2013-14.

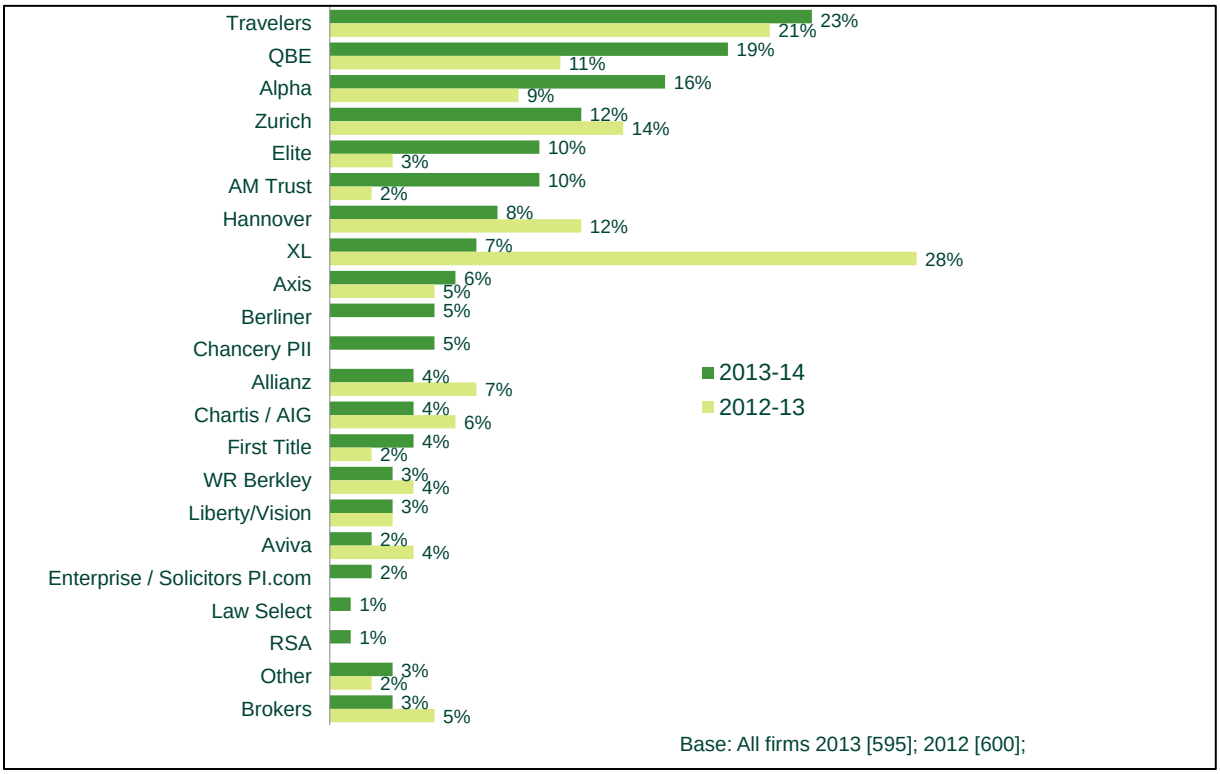
3.36 Other, more marginal decreases occurring between 2012-13 and 2013-14 were the slight decrease in the proportion of firms approaching Hannover and Zurich.

3.37 In terms of increases, two new entrants to the market – the failed entrant Berliner and Chancery PII – were both approached by five per cent of firms in 2013-14. A number of other firms (potentially benefiting from XL's exit from the market) were also approached by slightly greater proportion of firms in 2013-14 than in 2012-13 (ie QBE, Alpha, Elite, and AM Trust).

3.38 There were some significant variations between different sized firms in which insurers they approached. Larger firms were more likely to have approached Chartis (22% of 11-25 partner firms and 17% of 5-10 partner firms, compared with just three per cent of 2-4 partner firms, and one per cent of sole practitioners), as well as Allianz (22% of 11-25s; 14% of 5-10s; three of 2-4s; three per cent of sole practitioners) and QBE (28% of 11-25s; 35% of 5-10s; 20% of 2-4s; 14% of sole practitioners). Zurich and Hannover were also more popular among larger firms.

3.39 By contrast, smaller firms were more likely to have approached Alpha (15% of sole practitioners, 21% of 2-4 partner firms compared with two per cent of 5-10 partner firms and one per cent of 11-25 partner firms); Elite (14% of sole practitioners; eight per cent of 2-10s; five per cent of 5-10s; two per cent of 11-25s); Chancery PII (six per cent of sole practitioners; six per cent of 2-10s; no firms in the larger sizebands) and Berliner (four per cent of sole practitioners; seven per cent of 2-10s; one per cent of 5-10s; no firms in the largest sizeband).

Figure 3.11: Insurers approached for quotes



Outcomes of 2013-14 PII applications

3.40 The vast majority of applications[1] (77%) led to an offer of 2013-14 cover from one or more insurers. This is the second year in a row that this figure has decreased (83% of PII cover applications for the 2012-13 period resulted in an offer being made and 90% of applications for the 2011-12 period resulted in an offer). Firms with 11-25 partners were less likely than firms in the other sizebands to be made an offer (though larger firms did tend to make more applications than small firms).

General approach to purchasing PII cover

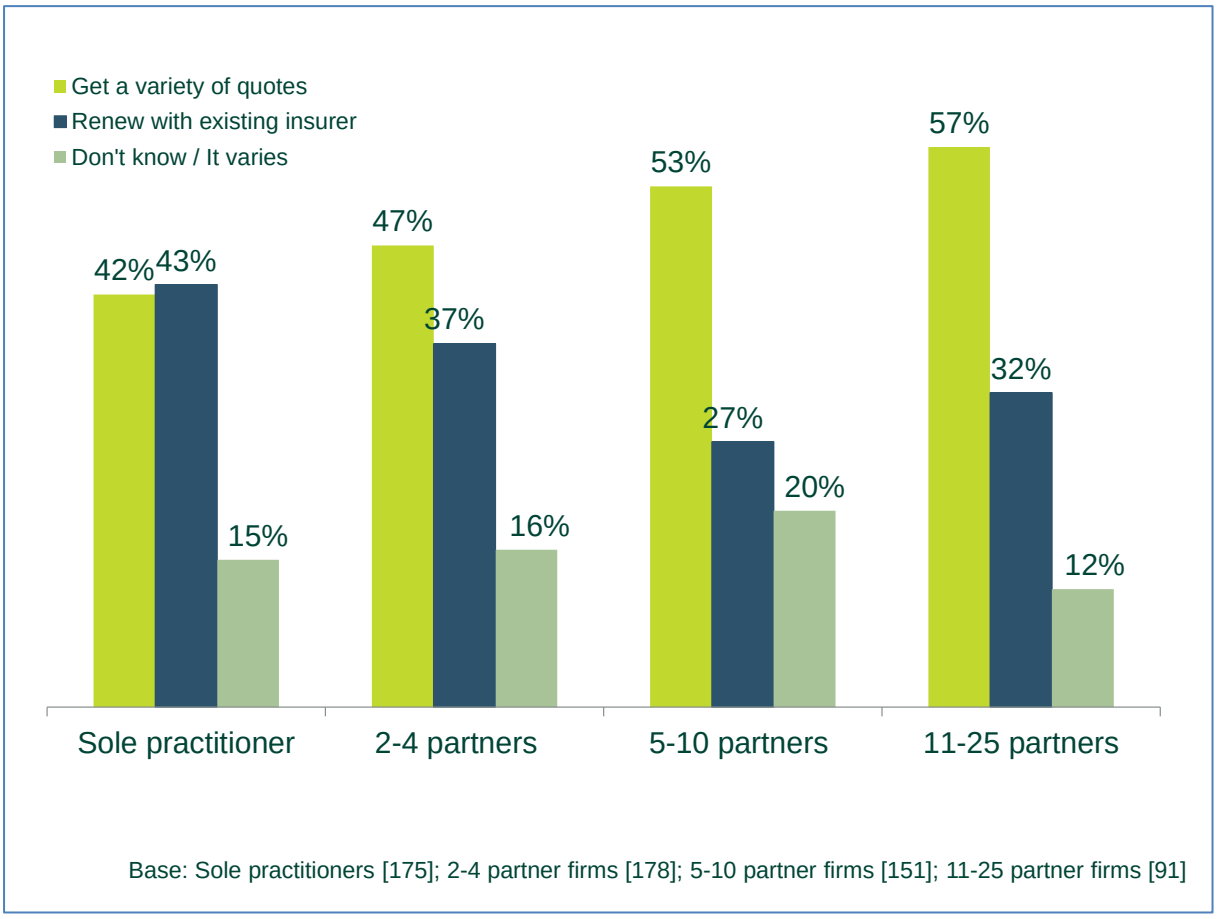
3.41 As part of the 2013-14 research firms were asked a series of more general questions relating to their approach to purchasing PII cover; whether they tended to approach rated and/or unrated insurers and, of those who approached both, whether they perceived unrated insurers to be cheaper than rated insurers.

3.42 Just under half (45%) of firms stated that, generally, they tended to shop around and get a variety of quotes when selecting an insurer for their PII cover; 38% of firms stated that they tend to renew their firm's policy with their existing insurer and 16% of firms stated their approach varies too much to answer.

[1] Those who did not know which insurers were applied to on their behalf are excluded from this analysis.

3.43 As shown by figure 3.12 below, the approach taken varies by size of firm, with larger firms being more likely to get a variety of quotes than smaller firms (57% of 11-25 partner firms ad 53% of 5-10 partner firms get a variety of quotes compared with 42% of sole practitioners).

Figure 3.12: Whether firms generally shop around for PII quotes or renew with same provider



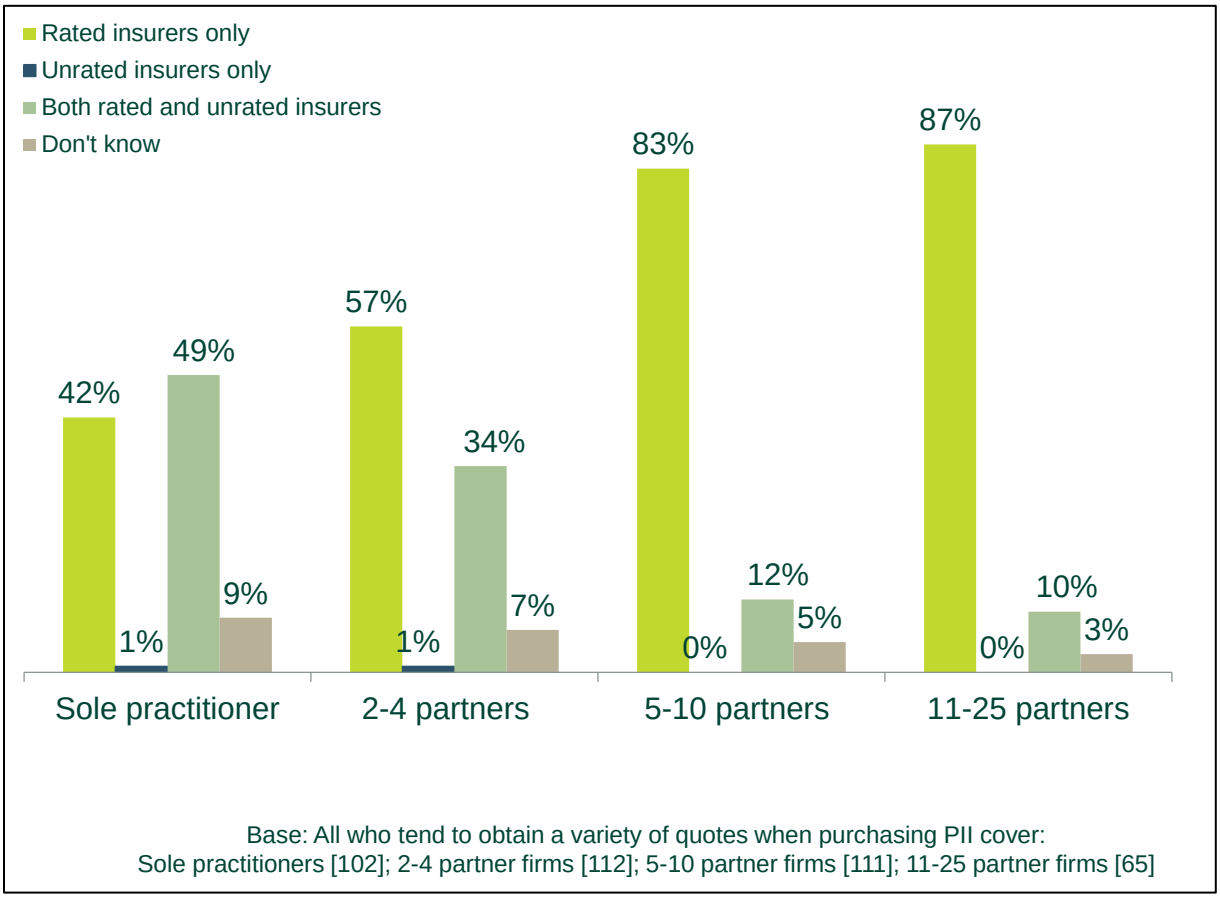
3.44 Firms which indicated they tended to get a variety of quotes rather than renewing with their current insurer were asked whether they tend to get quotes from either rated or unrated insurers only or from a mixture of both types.

3.45 Over half (55%) of firms who tended to get a variety of quotes sought these quotes from rated insurers only; meanwhile 37% of firms who shop around tended to get quotes from a mixture of rated and unrated insurers and only one per cent sought quotes from unrated insurers only (a further seven per cent said the type of insurer approached varies too much to answer).

3.46 As shown in figure 3.13 below, size of firm has an impact on whether firms who obtain a variety of quotes are more or less likely obtain them from rated insurers only or from a mixture of rated and unrated insurers.

3.47 Larger firms who tend to obtain a variety of quotes are more likely than smaller firms to seek quotes from rated insurers only (87% of 11-25 partner firms and 83% of 5-10 partner firms obtain quotes from this type of insurer only compared with 57% of 2-4 partner firms and 42% of sole practitioners); the likelihood of firms obtaining quotes from a mixture of rated and unrated insurers increases as size of firm drops (and whereas only 10% of 11-25 partner firms obtain quotes from rated and unrated insurers this proportion has increased to 49% among sole practitioners).

Figure 3.13: Whether quotes are generally obtained from rated or unrated insurers or both



3.48 Firms that tended to obtain quotes from a mixture of rated and unrated insurers were asked whether they thought that, in general, unrated insurers are cheaper than rated insurers. The majority of these firms (71%) agreed that in general unrated insurers were cheaper than rated insurers; one in six (17%) of firms who obtain quotes from both unrated and rated insurers thought that unrated insurers are not generally cheaper than rated insurers (13% thought costs vary too much to answer the question).

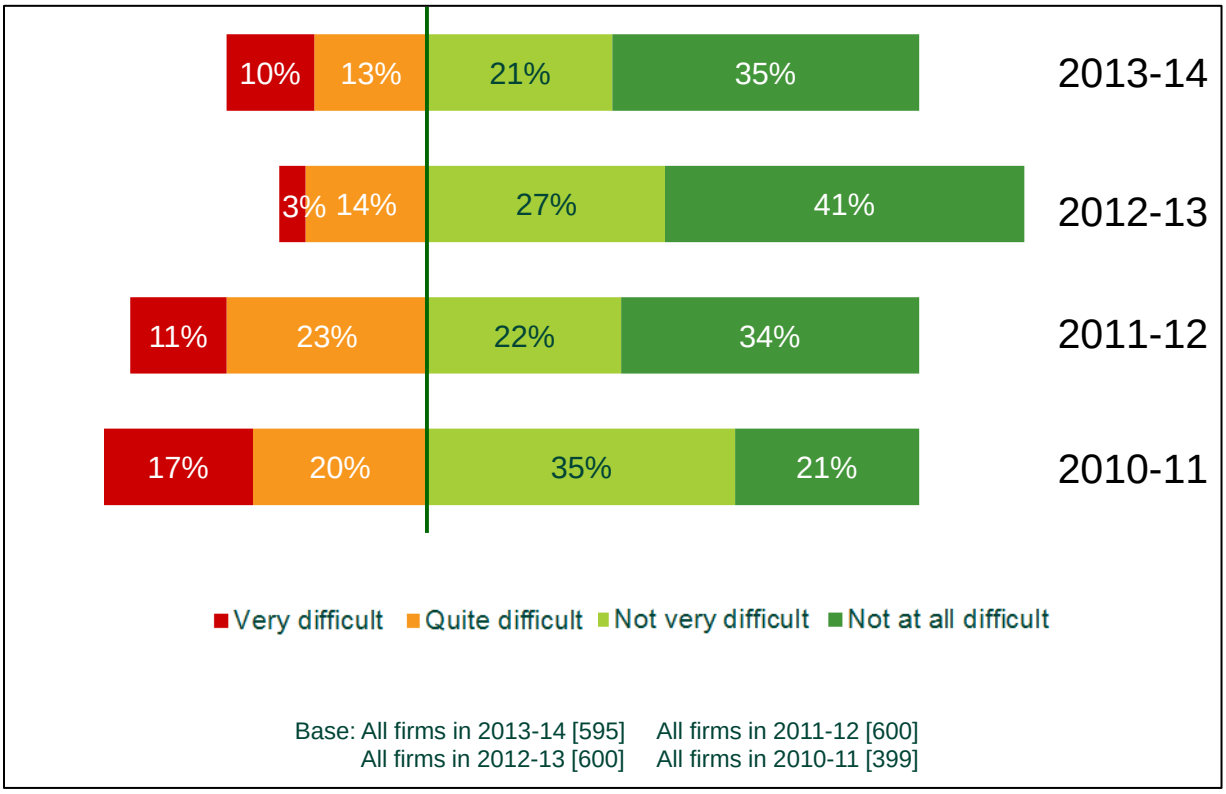
3.49 Firms which thought that unrated firms are generally cheaper than rated insurers were asked to give a rough price difference; almost half (47%) thought unrated insurers are generally more than 20% cheaper than rated insurers; one fifth (21%) of these firms estimated the price difference as being between ten and 20% and another fifth (21%) estimated the price difference ad being ten per cent or less.

Difficulty of PII renewal process

3.50 The renewal process was found by a greater proportion of firms to be more difficult this year than last year. Fewer than three-fifths (57%) of firms felt that the PII renewal process for 2013-14 was either ‘not very difficult’ or ‘not at all difficult’; this is a drop since last year, when two-thirds of firms reported not finding the process difficult, but in line with findings from the 2011-12 and 2010-11 renewals; however, the proportion of firms saying they found the process ‘very difficult’ or ‘quite difficult’, although higher than in 2012-13, is lower than that of 2010-11 and 2011-12, indicating that more firms have fallen into the more neutral category of ‘neither difficult nor easy.’

3.51 There were no significant differences by size of firm.

Figure 3.14: Perceived difficulty of PII renewal process



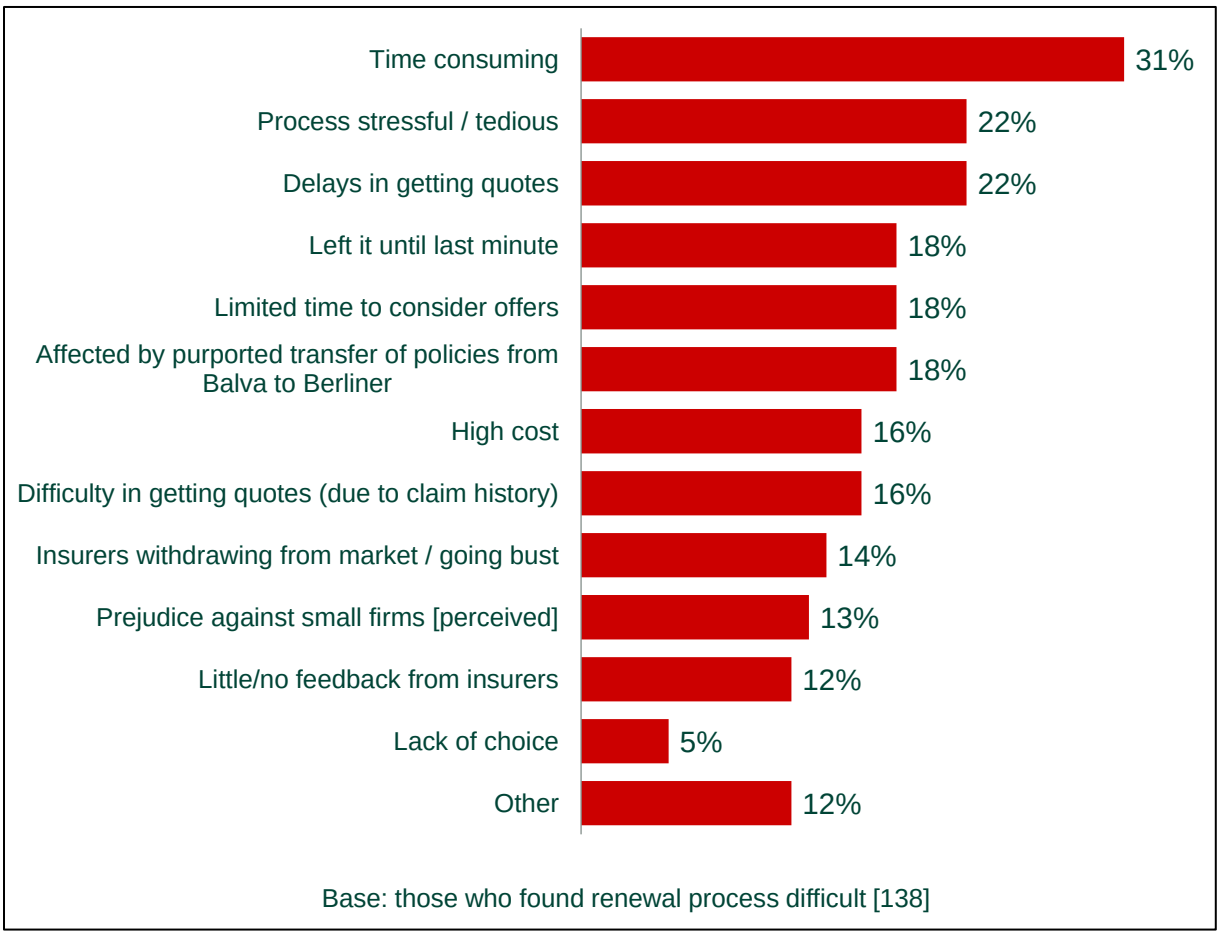
3.52 As seen in the previous two years of research, the likelihood of perceiving the process as difficult tended to increase with the number of brokers used. Among firms that used just one broker, only 11% found the process difficult. This rises to 39% for firms using two to three brokers, and 52% for firms using four or more brokers. Of the firms that did not use any brokers, 95% felt that the process was not difficult, with 5% saying it was neither difficult nor easy. The causality is difficult to establish here – it is possible that those who struggled to obtain quotes approached several brokers in an attempt to ensure cover but it is also possible that by approaching multiple brokers firms made the process complicated and more time consuming.

3.53 Perceived level of difficulty of the renewal process also differed according to which insurer had provided PII cover in the previous year 2012-13. The lowest perceived level of difficulty was among firms whose 2012-13 cover had been with Travelers, with only one per cent of firms who had used Travelers describing the 2013-14 PII renewal process as being very or quite difficult. There were also low perceived levels of difficulty among firms whose PII 2012-13 cover had been with QBE (12%), Zurich (ten per cent) and Alpha (15%). By contrast 68% of firms covered by 2013 market leaver, Balva in 2012-13 described the 2013-14 PII renewal process as being very or fairly difficult, along with 34% of those who had been covered by XL .

Reasons for any difficulties

3.54 Those who reported finding the process difficult were asked to give their reasons why. The most common reason, given by just under a third of firms (31%) was that the process was too time consuming; similarly, just over a fifth (22%) of firms found the process stressful or tedious, while the same proportion experienced delays in getting quotes. Just under a fifth of firms (18%) found the process difficult as they left it to the last minute, while the same proportion reported that they had a limited time to consider offers (an issue for 24% of sole practitioners). A further 18% were affected by the purported transfer of policies from Balva to Berliner, and 14% mentioned insurers withdrawing from the market or going bust.

Figure 3.15: Perceived difficulty of PII renewal process



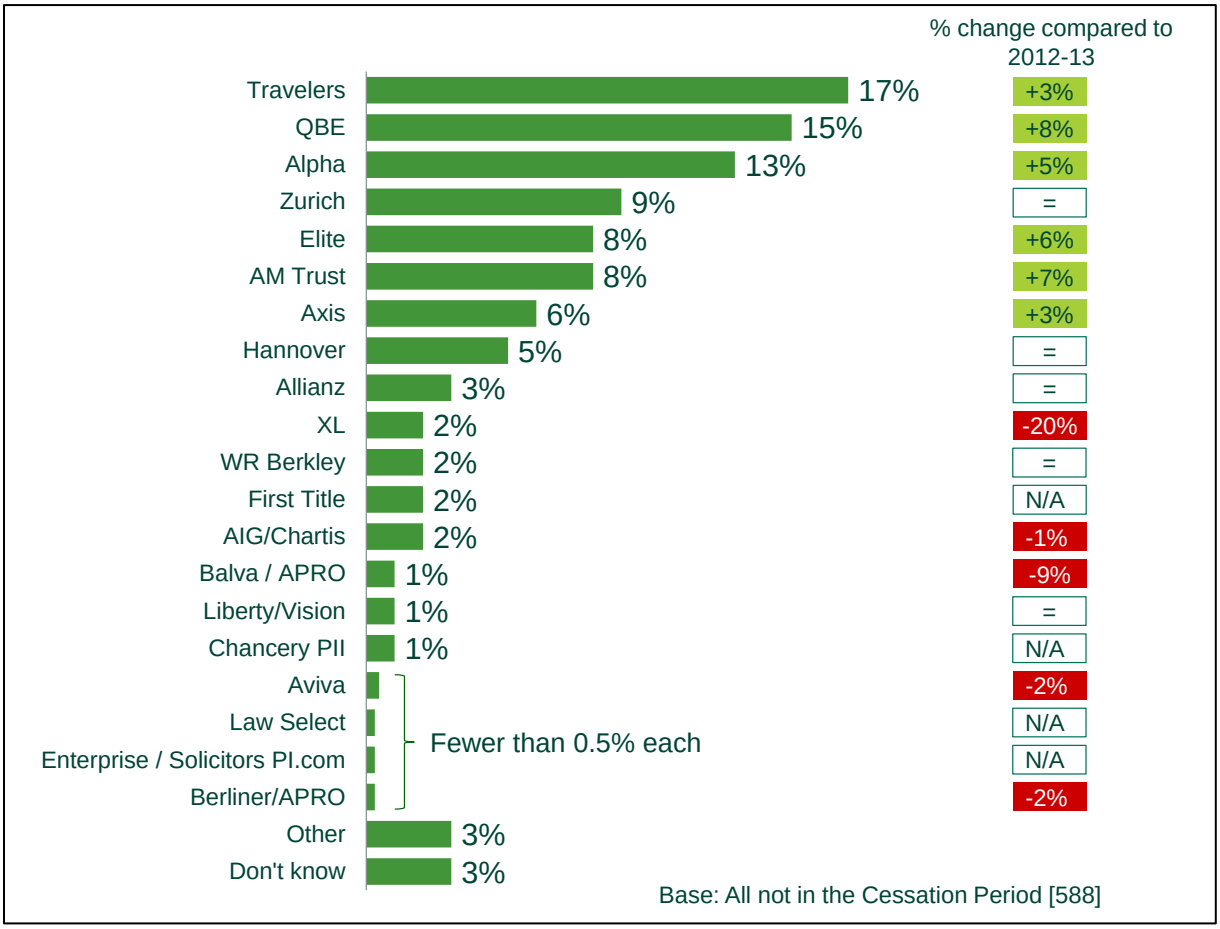
4 Current PII cover for 2013-14

4.1 This chapter looks at insurers selected for PII cover for 2013-14 and then explores the reasons for selecting them. It also discusses the cost of premiums, level of excess on policies and the purchase of top-up cover.

Insurers used for cover in 2013-14

4.2 Figure 4.1 below shows the insurers that law firms purchased their PII cover from for 2013-14. The boxes along the right hand side of the figure shows the variation in proportion of firms with each insurer for 2013-14 compared with 2012-13. While XL was the most commonly used provider in 2012-13, its share has fallen considerably by 20 percentage points, following the withdrawal of this provider from writing firms with one to three partners. The collapse of Balva Insurance in 2013 is also reflected in a nine per cent drop, to just one per cent, for Balva/APRO. With the withdrawal of these two providers from all or part of the market, many other insurers have seen a slight increase in share, with Travelers now the most common provider (17%).

Figure 4.1: Insurers used for PII in 2013-14



4.3 Two unrated insurers, Alpha and Elite, have seen a significant increase in market share, with Alpha now used by 13% of firms (up from 8% in 2012-13), and Elite increasing to 8% from just 2% last year. However, the overall proportion using unrated was 21%, in line with the proportion in 2012-13 (23%).

4.4 As seen in the 2012-13 research, there was a variation in the profile of insurers used by smaller and larger firms, as shown in Table 4.1 below.

Table 4.1: Insurer share (by volume) by size of firm

	Total	Sole Practitioners	2- 4 Partners	5 - 10 Partners	11-25 Partners
Base: all applications to brokers	*%*	*Column A*	*Column B*	*Column C*	*Column D*
Travelers	17%	20%[cd]	15%[d]	8%	7%
QBE	15%	13%	14%	27%[ab]	17%
Alpha	13%	11%[cd]	19%[acd]	1%	-
Zurich	9%	8%	9%	5%	21%[abc]
Elite	8%	11%[cd]	6%[cd]	1%	-
AM Trust	8%	9%[b]	6%	9%	3%
Axis	6%	9%	3%	6%	6%
Hannover	5%	3%	6%	6%	8%[a]
Allianz	3%	1%	2%	9%[ab]	13%[ab]
XL	2%	1%	2%	8%[abd]	2%
WR Berkley	2%	2%	2%	1%	-
First Title	2%	-	3%[a]	5%[a]	2%
AIG/Chartis	2%	1%	1%	10%[ab]	15%[ab]
Balva/APRO	1%	2%	1%	-	-
Liberty/Vision	1%	-	2%	1%	2%
Chancery PII	1%	1%	1%	-	-
Aviva	*%	-	1%	1%	-
Law Select	*%	-	1%	-	-
Enterprise / Solicitors PI.com	*%	1%	-	-	-
Berliner/APRO	*%	1%	-	-	-
Other	3%	1%	5%	1%	-
Don't know	3%	5%	1%	1%	3%

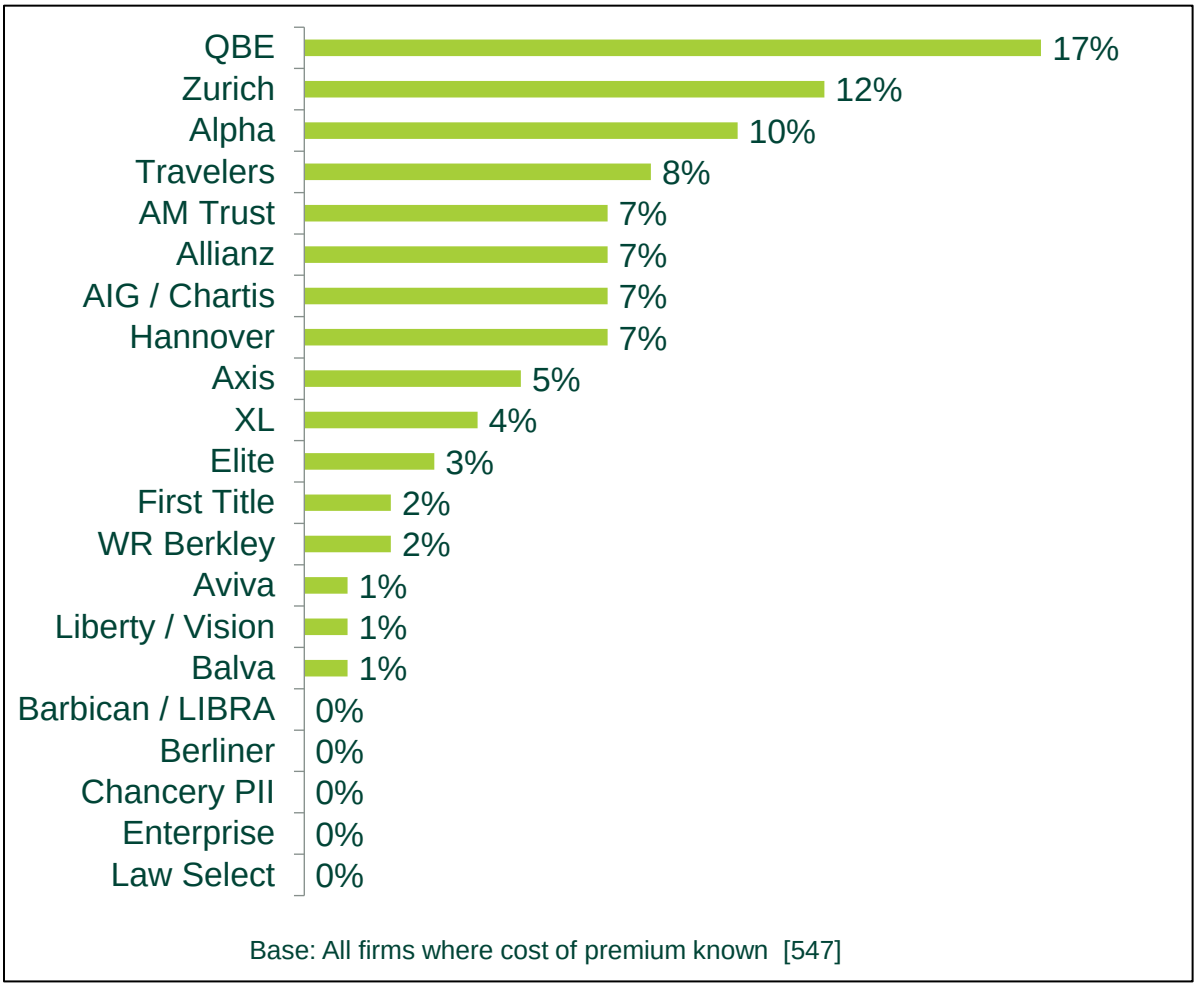
Where figures have letters next to them (e.g. 20%[cd]) this means the figure is statistically significantly higher than the figures in the column the letters refer to (please see column headers for column letters)
*% = lower than 1%

4.5 Some of the insurers that account for a relatively small proportion of the market overall account for a relatively large share of the larger firms market. For example, Zurich insure 21% of firms with 11-25 partners, AIG/Chartis insure 15% of this group, and Allianz insure 13%. In contrast, small firms were more likely to use Travelers, Alpha and Elite. Overall, 23% of sole practitioners and 25% of 2-4 partner firms used unrated insurers, compared with just 2% of 5-10 partner firms, and none of the largest firms. However, the distinction is not entirely clear cut and insurers such as Zurich and Travelers, for example, also have account for a reasonable share of the insurers used by small firms.

4.6 Similarly, firms with a larger turnover are more likely to use certain insurers: of firms with a turnover of £5 million or more, 21% are insured by Allianz, 19% by Zurich, and 15% each by QBE and AIG/Chartis. Looking at firms with a smaller turnover (less than £100,000), over a quarter (27%) are insured by Travelers, 15% are insured by AM Trust, and 12% by Zurich. Turnover also has a clear impact on the use of rated or unrated insurers; over a quarter (27%) of firms with a turnover of less than £1 million are insured by unrated insurers, compared with just 5% of firms with a turnover of £1 million up to £5 million, and no firms with a turnover of £5 million or more.

4.7 Figure 4.2 overleaf shows each insurer's share of the total premium income for 2013-14. QBE account for nearly a fifths (17%) of all premium income, while Travelers, who were used by the largest proportion of firms, only account for 8% of all premium income.

Figure 4.2: Insurers' share of total market value 2013-14



4.8 Just over half (50%) of firms re-insured with their 2012-13 insurer. This is a decrease from the proportion that re-insured with the same provider last year (65%), reflecting the withdrawal of Balva and partial withdrawal of XL from the market. Larger firms were more likely to remain with their existing insurer (74% of firms with 11-25 partners and 63% of those with 5-10 partners, compared with 51% of 2-4 partner firms and just 45% of sole practitioners). Firms that had not used a broker remained more likely to re-insure with their 2012-13 insurer (89%). On average, firms choosing to remain with their existing insurer had been using that insurer for 4.4 years prior to the 2013-14 renewal.

Multi-year policies

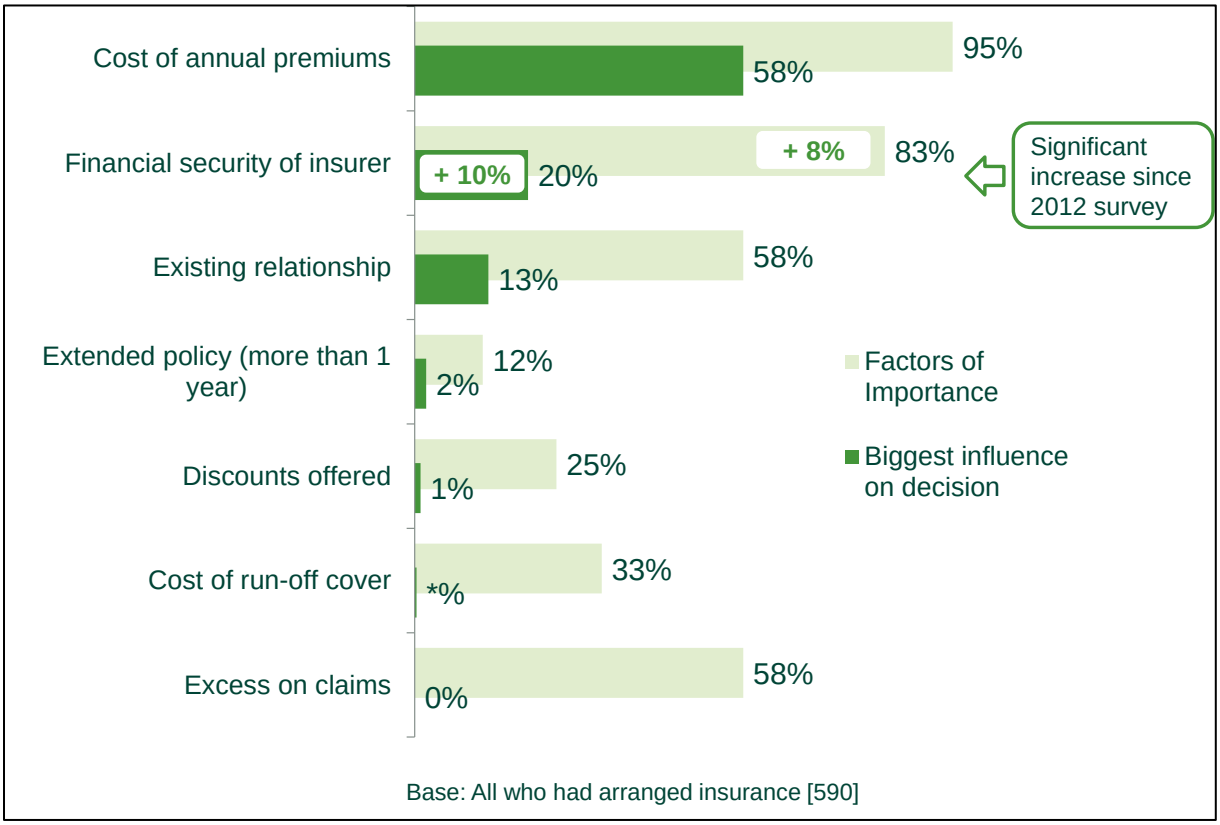
4.9 Fifteen per cent of firms stated that they accepted a multi-year policy, with no significant variation by the number of partners, although the largest firms as measured by number of *solicitors* were less likely to accept such a policy (8%, compared with 18% of firms with between two and 10 solicitors). Use of multi-year policies was more common among firms without quality marks (18%) and those without any risk factors in the last five years (17%).

4.10 However, the term 'multi-year policy' could be interpreted in various ways by firms, meaning that this proportion appears to include firms that accepted multi-year price guarantees and early renewal offers, as well as those who took out policies exceeding the former 12 month limit under the new relaxation of the rules to allow for variable renewal dates. Therefore, it is not possible to tell from these responses what proportion of these firms took up the new option of variable renewal dates.

Reasons for selecting 2013-14 insurer

4.11 Firms were asked which of a range of factors were important in their decision of which insurer to use in 2013-14. They were also asked which of the factors that were important had the most influence on their final decision. Figure 4.2 below shows both the proportions of firms stating each reason was important (the lighter coloured bars) and the proportion stating that each factor was 'most influential' (the darker coloured bars).

Figure 4.3: Reasons for decision



4.12 As the figure shows, the cost of premiums remains by far the most influential factor on decisions about which insurer to use, with nearly all firms stating that this important in their decision, and almost three-

fifths (58%) stating that it was the most influential factor. However, perhaps in response to the collapse of Balva, the financial security of the insurer has increased in importance since 2012-13, with 83% stating that this was important (up from 75% last year), and the proportion saying this was the main influence doubling (20% compared with 10% in 2012-13). Other factors such as the existing relationship did not show any significant change since the previous study.

4.13 There was a small amount of variation in the reasons for decision by size of firm. Larger firms were more likely to give their existing relationship as the factor with the biggest influence on their decision – 19% of firms with 5-10 partners and 30% of firms with 11-25 partners stated this compared with 13% of 2-4 partner firms and 11% of sole practitioners. A higher proportion of sole practitioners gave the cost of annual premium as the most important factor in their decision (60%, compared with 49% among the largest firms), although this difference is not statistically significant.

Entering the Extended Indemnity Period

4.14 Almost one in twenty 4%) firms reported that they had entered the 30 day 'Extended Indemnity Period'. Those firms that had done this were nearly all smaller firms (6% of 2-4 partner firms and 3% of sole practitioners, compared with 1% of 5-10 partner firms, and no firms with 11-25 partners). Entering the EIP was more common among firms that used four or more brokers (11%), among those that found the PII process difficult (12%), and among those with risk factors in the last five years (5% compared with 2% among firms with no risk factors).

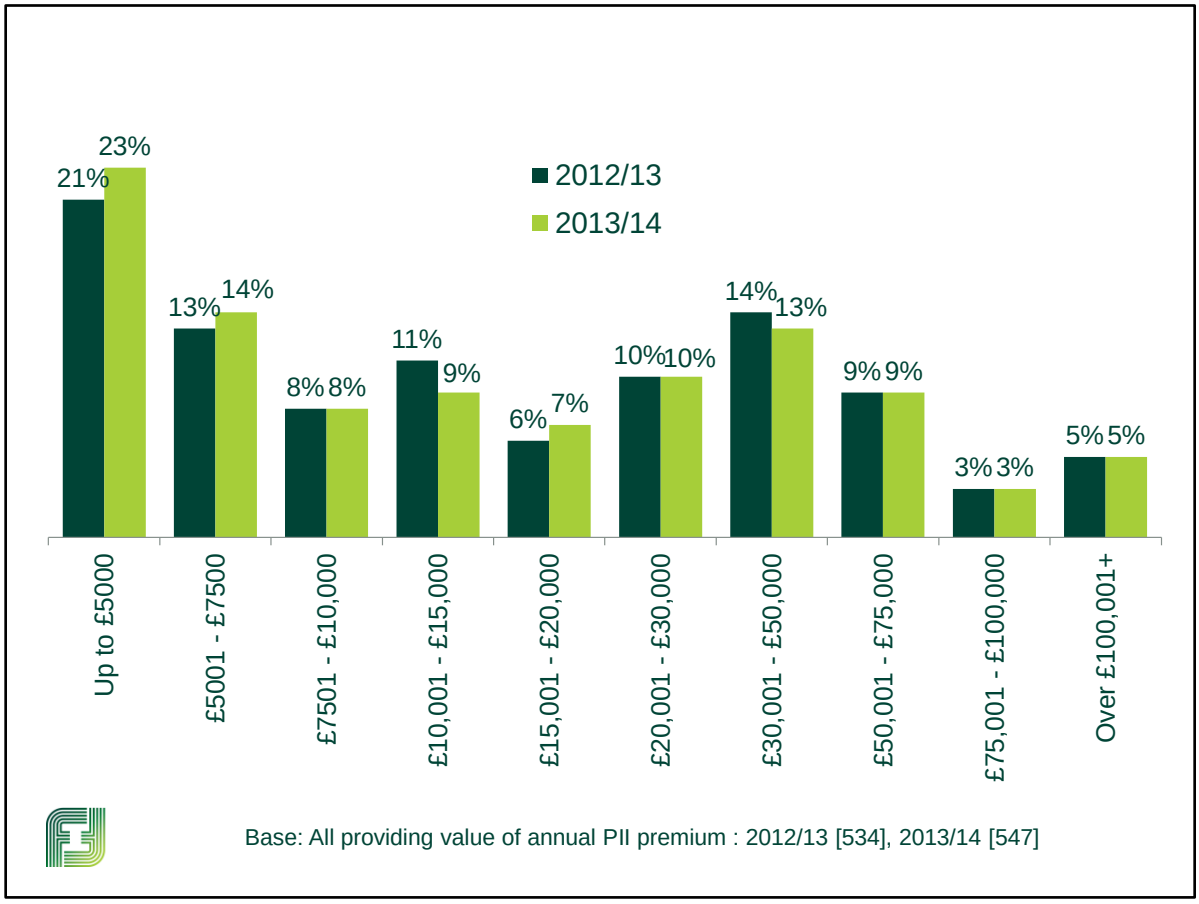
Entering the Cessation Period

4.15 Just one per cent of all firms went on into the 60 day Cessation Period. As with the Extended Indemnity Period, this was more common among firms that used four or more brokers (5%).

Cost of premiums

4.16 Figure 4.3 shows the spread of cost of annual premiums that firms experienced in 2013-14 compared with 2012-13 (including Insurance Premium Tax). The information on premiums for both years was collected in the 2013 survey so the premiums shown are taken from figures provided by the same set of firms. The chart shows that, at an overall level, premiums remained fairly stable between the two years. In both years, around a fifth of firms paid less than £5,000 for their PII cover and around half paid less than £15,000. The median premium was £14,000 in 2013-14, and £13,529 in 2012-13.

Figure 4.4: Cost of premiums



4.17 As the table below shows median premiums are closely related to the number of partners in a firm. Median premiums have remained stable for sole practitioners, reduced slightly for 2-4 partner firms, and increased slightly for the largest two categories. These findings show a broadly similar pattern to that seen 2012-13 report.

Table 4.2: Median premiums by size of firm

	Median 2012-13 Premium	Median 2013-14 Premium
All firms	**£13,576**	**£14,000**
Sole practitioners	£6,245	£6,046
2-4 partners	£26,500	£23,940
5-10 partners	£63,594	£63,898
11-25 partners	£130,209	£145,644

4.18 Across the market as a whole, firms changing from their 2012-13 insurer secured lower premiums for PII cover in 2013-14 than those that remained with the same insurer. This was also the case across all sizes of firm, although the differences were small among sole practitioners and 5-10 partner firms. Comparison of median premiums for those remaining with their existing insurer and those changing insurer are shown in Table 4.3 below.

Table 4.3: Median premiums by firms remaining with or changing insurer

	Median 2013-14 Premium *Those remaining with existing insurer*	Median 2013-14 Premium *Those changing insurer*
All firms	**£15,850**	**£10,786**
Sole practitioners	£6,496	£6,008
2-4 partners	£26,285	£22,973
5-10 partners	£64,699	£63,925
11-25 partners	*very small base size*	*very small base size*

4.19 Three-fifths of all firms (62%) experienced a decrease in the cost of their premiums between the two years while 30% experienced an increase and the remaining 8% saw their premiums remain at broadly the same level. This shows a similar pattern to last year, although the proportion experiencing an increase is somewhat higher than in 2012-13 (20%). For the purposes of this analysis, inflation has been applied to the 2012-13 premium at a rate of 2.7% before the two premiums have been compared[2]. Where the difference between the two premiums equated to +/- 2.5% of the 2012-13 premium then premiums have been classified as remaining 'broadly the same'. Changes outside of this band have been classified as either increases or decreases.

4.20 Among firms experiencing an increase in premium between 2012-13 and 2013-14 the average increase was 42% and among those firms experiencing a decrease in premium was 14%.

4.21 Table 4.4 shows the variation in premium costs by firms. This shows that the largest firms (with 11-25 partners) were most likely to have experienced increases in the costs of premiums, with roughly equal proportions of these firms experiencing increases and decreases. This is in line with the findings from the 2012-13 survey.

[2] Inflation was calculated using average CPI (from the ONS website) across the year Oct 2012-Sept 2013

Table 4.4: Comparison between this year's and last year's premium

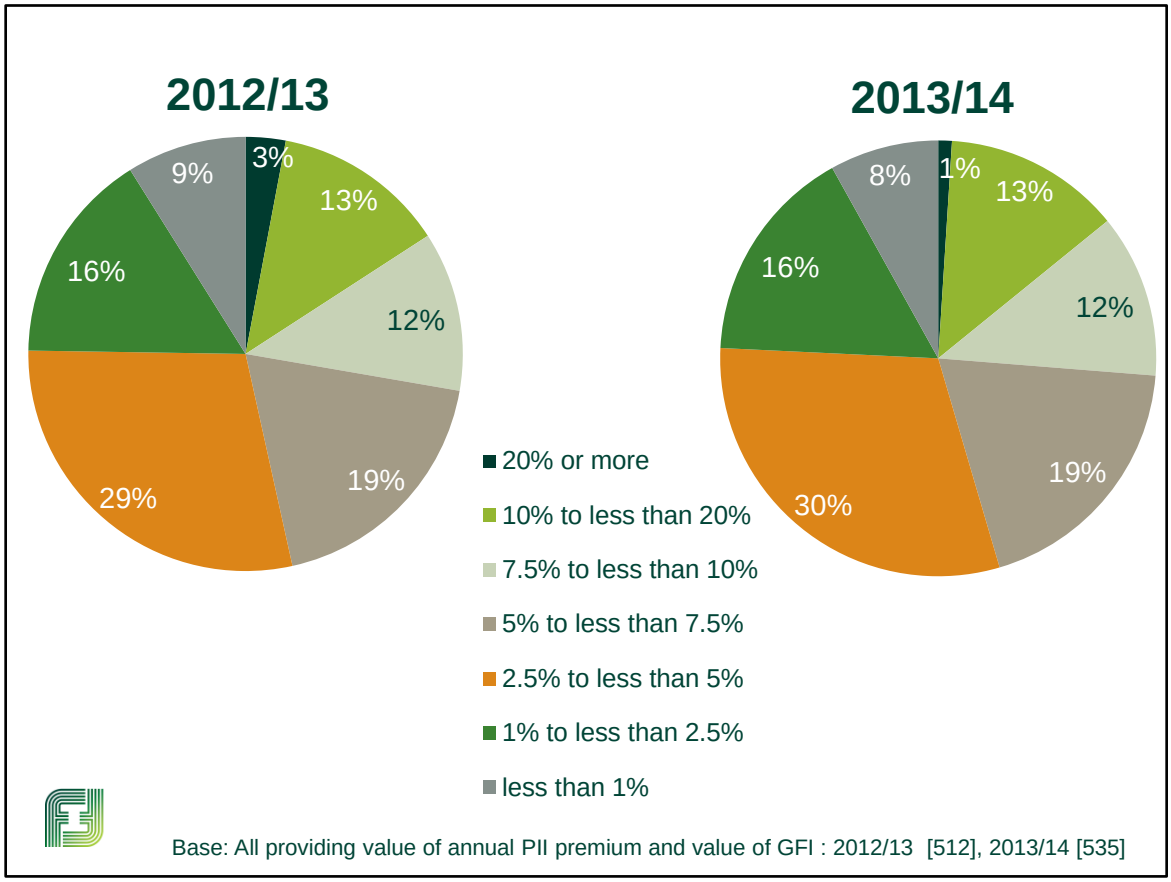
	All	Sole practitioner	2-4 Partners	5-10 Partners	11-25 Partners
Base: All providing figures for both years	*(515)*	*(162)*	*(151)*	*(128)*	*(74)*
	%	*%*	*%*	*%*	*%*
Decreased compared to last year	62	64	63	55	46
Broadly the same as last year	8	7	9	9	5
Increased compared to last year	30	29	28	36	49

4.22 In contrast with the findings in 2012-13, it was firms that remained with their existing insurer that were most likely to have experienced a decrease in premiums (68% compared with 56% of firms that switched to a new provider) although as seen above those remaining with their same insurer had lower average premiums. By contrast, 22% of those remaining with their existing insurer experienced an increase in premiums, compared with 38% of those moving to a new provider. To a certain extent the change in this pattern this year might reflect the greater number of firms who switched insurer as year (which in turn reflects the upheaval in the market caused by the withdrawal of XL and Balva – 63% of all firms that switched were previously with these insurers).

4.23 Figure 4.4 (overleaf) shows the cost of PII premiums as a percentage of firm gross fee income for both 2012-13 and 2013-14 (note that both the 2012-13 and 2013-14 figures for this analysis are taken from the 2013 survey). Again this shows a relatively stable picture at the overall level. In both years, around three-quarters of firms paid premiums equating to up to 7.5% of their gross fee income and around a quarter paid premiums equivalent to in excess of 7.5% of their gross fee income.

4.24 The median per cent of gross fee income spent on PII cover for 2012-13 was 4.6%, slightly higher than the 3.6% seen in last year's report, but remaining below the proportions seen in 2010 and 2011. As in previous years, smaller firms paid a greater proportion on average: sole practitioners paid a median 5.6% of gross fee income on their PII premium, compared with 4.5% for 2-4 partner firms, 3.2% for 5-10 partner firms, and 2.4% among the largest firms.

Figure 4.5: PII premiums as a percentage of gross fee income

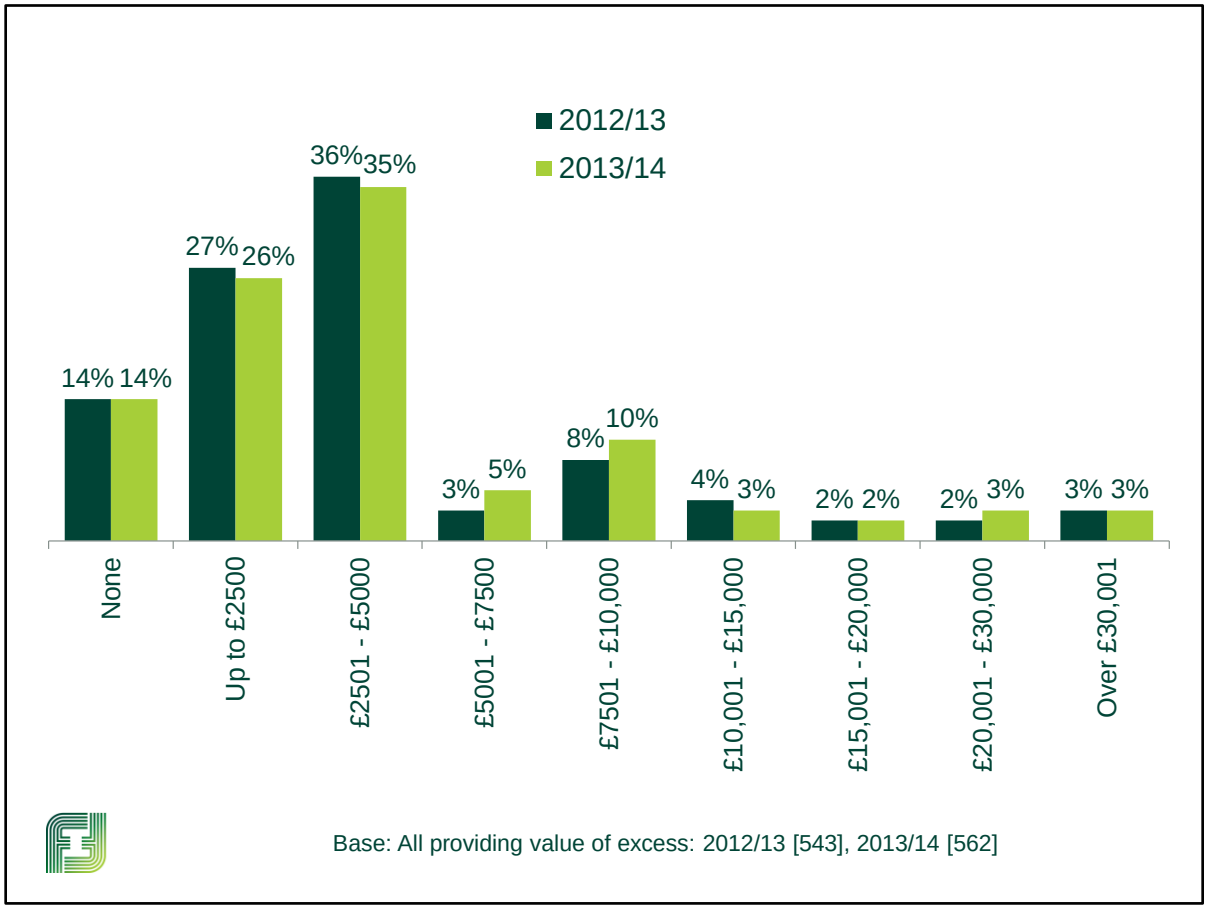


Excess

4.25 Figure 4.5 shows the level of excess payable on claims under firms' PII policies comparing excesses in both 2013-14 and 2012-13. Both sets of figures are taken from data collected in the 2013 survey. In both years, one in seven firms did not have any excess payable, and two-fifths had an excess of up to £5,000.

4.26 The differences in levels of excess payable were closely related to size of firm. Almost a quarter (23%) of sole practitioners had no excess payable compared to only 6% of firms with 5-10 partners, and no 11-25 partner firms. By comparison, 29% of the larger firms (with 11-25 partners) had an excess of £30,000 or more compared with 7% of those with 5-10 partners, and 1% of both firms with 2-4 partners and sole practitioners.

Figure 4.6: Excess payable on claims



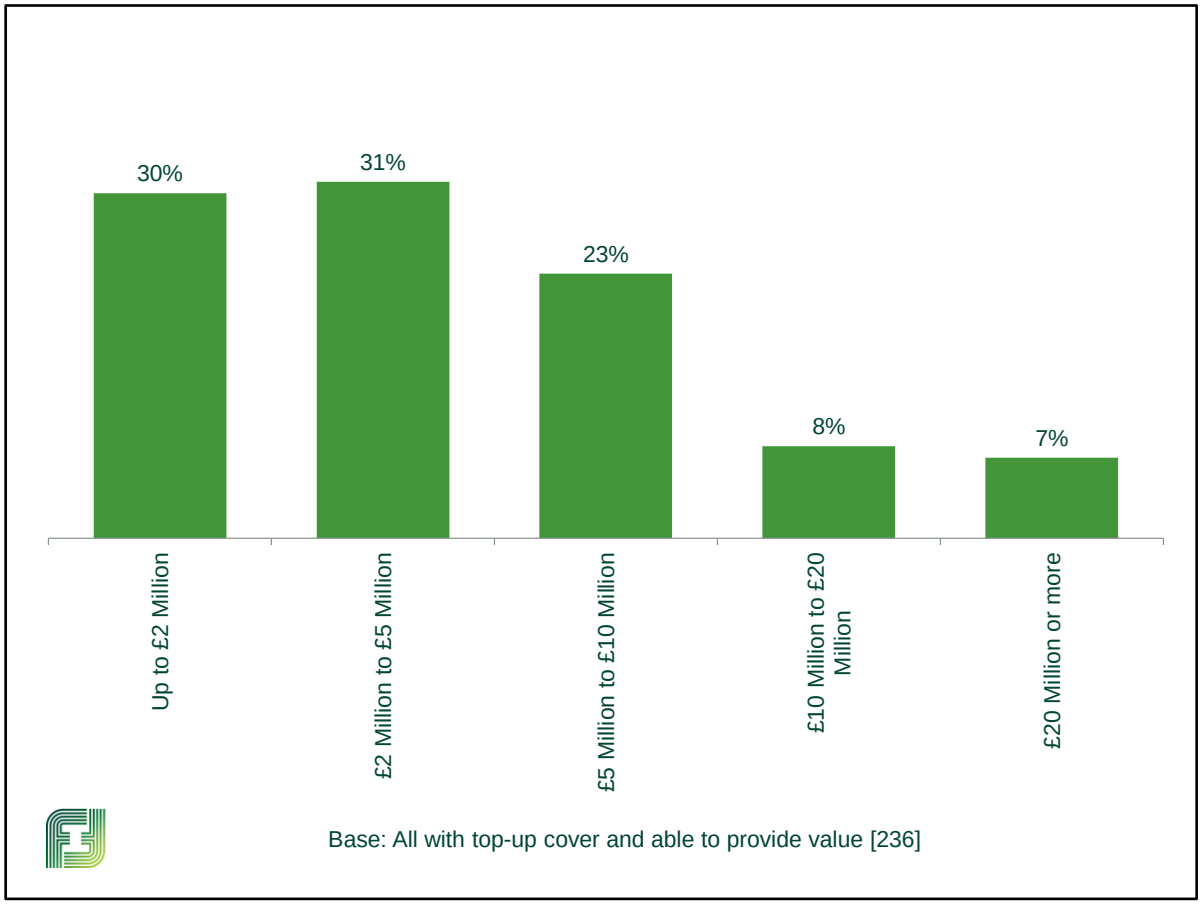
Top-up cover

4.27 Firms were also asked whether they purchased top-up cover (i.e. insurance cover above the minimum terms and conditions layer). A quarter (26%) stated that they had chosen to take top-up cover. This is a decrease from the 2012-13 study, when over a third of firms (36%) elected to take top-up cover. Likelihood to invest in top-up cover varied considerably with size of firm from a small minority of sole practitioners (8%) to almost all of those with 11-25 partners (93%). The comparable figures for those with 2-4 partners and 5-10 partners were 29% and 66% respectively.

4.28 The value of top-up cover purchased over and above the minimum layer cover is shown in Figure 4.6 below. Three in ten of those investing in top-up cover (30%) purchased cover of up to £2 million. The median amount of top-up cover purchased was £3 million. Median levels of cover purchased ranged from £3 million for firms with 2-4 partners to £7 million for firms with 5-10 partners and £15 million for firms with 11-25 partners[3].

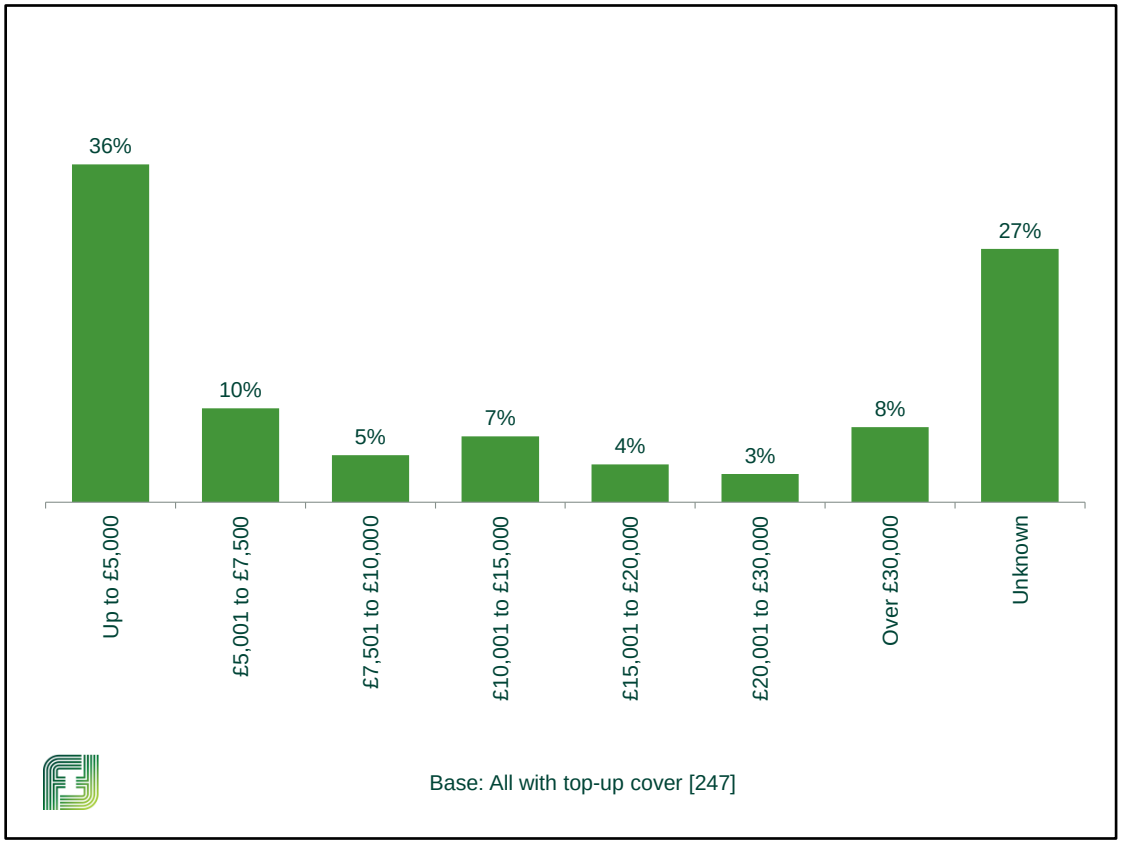
[3] Base size for sole practitioners too small to report findings

Figure 4.7: Value of top-up cover purchased



4.29 Firms were most likely to report paying up to £5,000 for their top up cover (36%), although 15% stated that their cover cost £15,000 or more. A sizable 27% were not aware of the cost of their additional cover. In line with the costs of compulsory cover, the cost of top up cover increased in proportion to the size of firm. The median cost was £4,770 for 2-4 partner firms, £9,000 for those with 5-10 partners, and £27,560 for the largest firms.

Figure 4.8: Cost of top-up cover



5 Restructuring and run-off cover

5.1 This chapter looks at whether firms have made use of so-called "successor practice rules"; the cost of firms' run-off cover; the extent to which insurers' charges for run-off cover impact on firms' choice of PII cover provider; and whether firms have considered putting their firm into run-off.

Successor Practice Rules

5.2 The successor practice rules were introduced in 2010. Previously, the insurer of the firm taking over the closing practice became responsible for covering any claims relating to the ceased practice. The successor practice was exposed to future claims which due diligence was unable to indemnify. The rules were changed to allow the selling firm to effect its own insurance. The aim was to make it easier for practitioners to find a buyer for their firm or to find a merger partner.

5.3 Respondents were asked if they had used the successor practice rules to merge with another firm in the last twelve months. A minority of firms (2%) had done so. This was more likely among larger firms, with 12% of 11-25 partner firms having used the successor practice rules to merge with another firm, compared with four per cent of 5-10 partner firms, three per cent of 2-4 partner firms, and no sole practitioners.

5.4 Of those who had used the new successor practice rules, around half had elected to run off the ceased practice.[4]

Awareness of cost of run-off

5.5 All respondents were asked if they were aware of the cost of run-off cover under their current policy. Overall, around half (52%) stated that they were; this was more likely among sole practitioners, three-fifths (62%) of whom were aware, compared to less than half (44%) of firms with two or more partners.

5.6 Firms that were aware of the cost of run-off under their current policy were asked to give this cost as a percentage of their annual premium. The median cost of run-off for all firms was 200% of their annual premium, with no significant variation by size of firm. Figures given for the cost of run-off by firms ranged from 20% to 600% of their annual premium, however, the majority of firms mentioned either 200% or 300%.

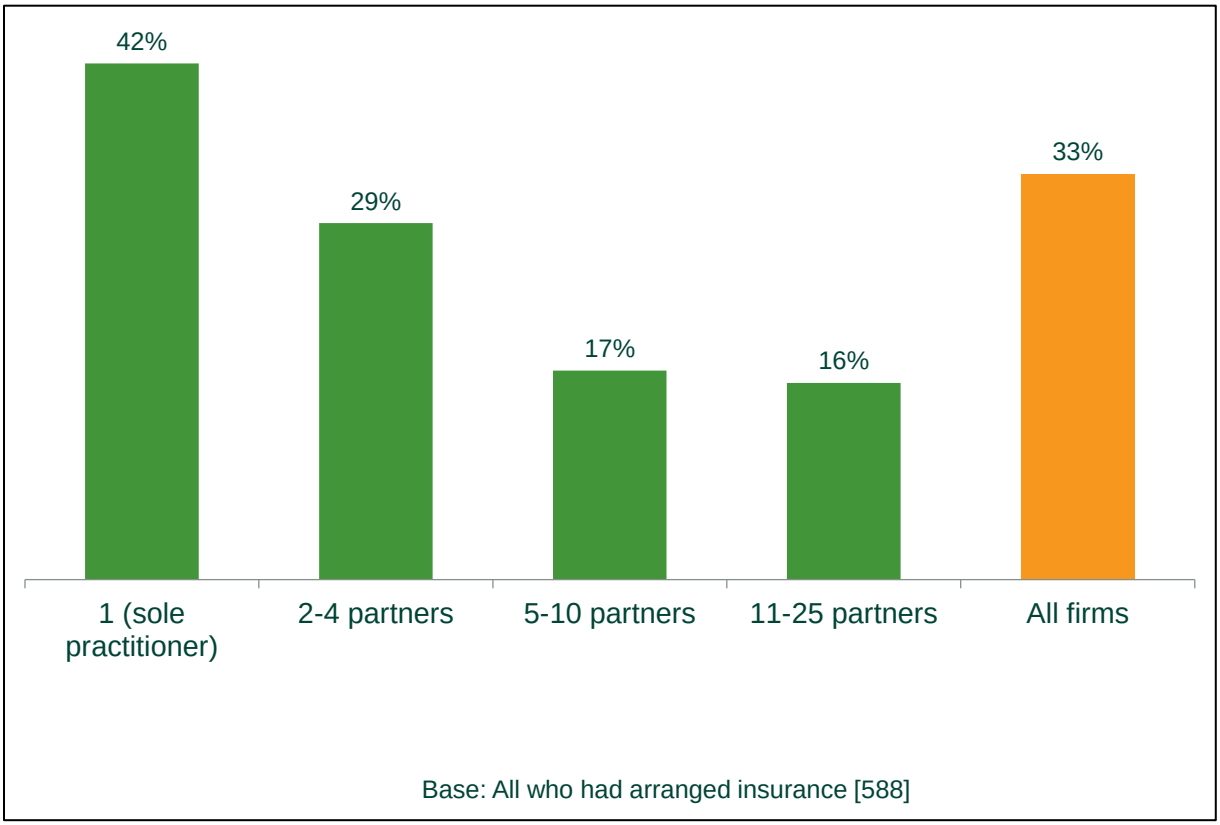
[4] These results should be taken as indicative only due to low numbers of firms answering these questions. Only 24 firms interviewed had used the successor practice rules in the last 12 months.

Table 5.1: Cost of run-off cover as percentage of annual premium

	All	Sole practitioner	2-4 Partners	5-10 Partners	11-25 Partners
Base: All aware of cost of run-off cover as percentage of premium	*(280)*	*(109)*	*(83)*	*(59)*	*(29)*
Under 200%	5%	6%	5%	4%	8%
200%	23%	19%	27%	34%	7%
201% to 299%	16%	17%	15%	8%	29%
300%	28%	29%	30%	19%	16%
More than 300%	5%	6%	4%	7%	-

5.7 As discussed earlier, firms were asked for their reasons for accepting the offer of cover from their current (2013-14) insurer. A third of all firms (33%) stated that run-off costs were an important factor in their decision to accept an offer of PII cover. Figure 5.2 shows the proportion of firms for which the cost of run-off was an important factor in accepting a PII offer (split by size of firm).

Figure 5.1: Run-off cost as a factor by size of firm



5.8 The cost of run-off is clearly more important to sole practitioners, with more than two-fifths (42%) finding run-off costs an important factor, compared with less than one-fifth (16%) of 11-25 partner firms.

5.9 All firms were also asked if they had ever considered putting their firm into run-off. Overall, seven per cent of firms had done so; this was more likely among sole practitioners (10%, compared with 5% of 2-4 partner firms, 1% of 5-10 partner firms, and no 11-25 partner firms).

5.10 Of these, around a fifth (20%) said that they were either in the process of putting, or definitely intended to put, their firms into run off[5]. Those who considered, but did not proceed with, putting their firm into run-off were asked what influenced their decision not to do so: more than half (56%) said that they decided to continue practicing, 15% said that the process was too expensive, and 11% said that they decided not to retire[6].

[5] These results should be taken as indicative only due to low numbers of firms answering these questions. Only 31 firms interviewed had considered putting their firm into run-off.
[6] These results should be taken as indicative only due to low numbers of firms answering these questions. Only 21 firms interviewed had considered but not proceeded with putting their firm into run-off.

6 Factors affecting PII premiums

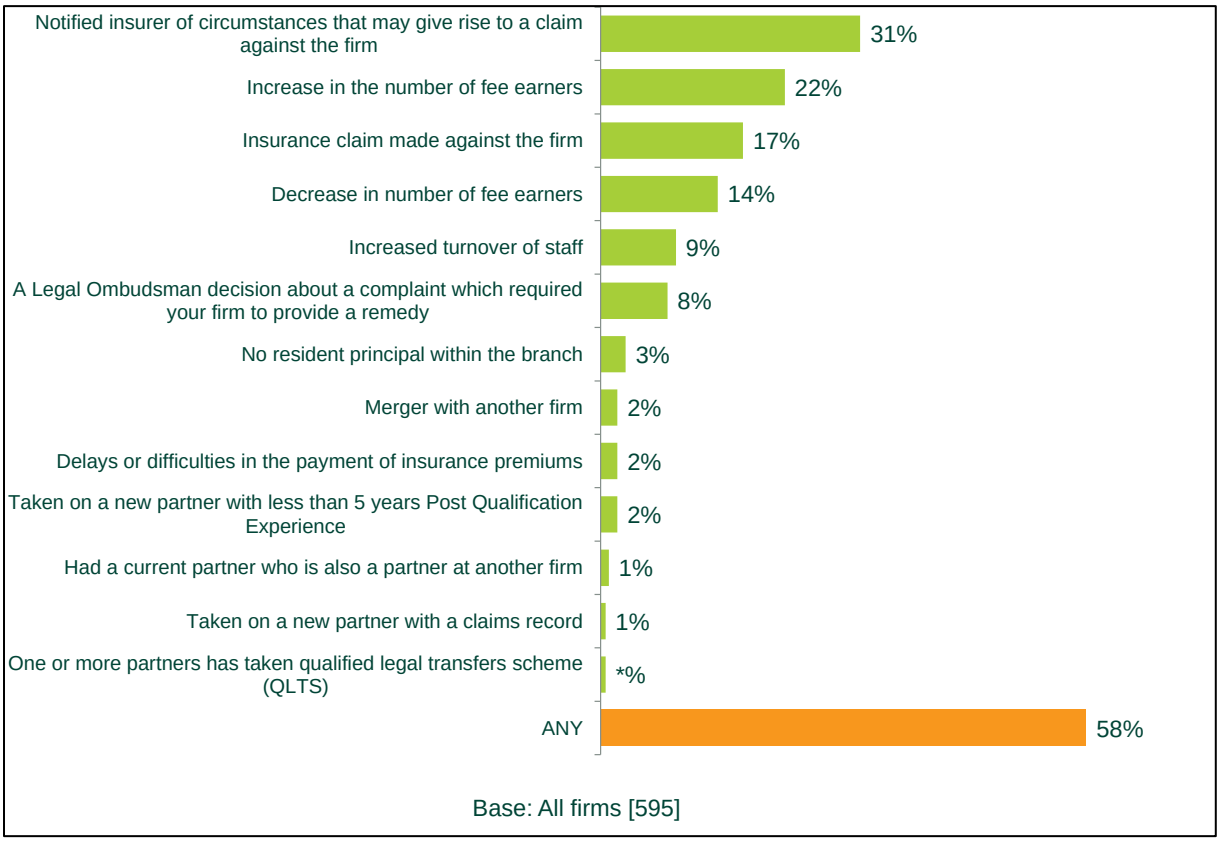
6.1 This chapter looks at whether firms have experienced any of two sets of certain identified factors (events that may have impacted on the cost of their PII premium) – one set within the last 12 months and one set within the last five years. It also looks at whether making a claim against PII cover impacts on the cost of firms' premiums. The chapter then summarises the results of Correlated Components Regression (CCR) analysis conducted on the results to identify which factors are likely to have the greatest influence on premiums paid. The chapter finally looks at perceived level of difficulty of the PII renewal process to be and whether firms hold one or both of the LEXCEL or Conveyancing Quality Scheme quality marks.

Factors experienced in the last 12 months and 5 years

6.2 Firms were asked whether they had experienced any of the factors identified in the survey in the last 12 months which can have an impact on their PII premiums, as shown in Figure 6.1. Overall, nearly three-fifths (58%) of firms had experienced at least one of these risk factors in the last 12 months.

6.3 Likelihood of experiencing at least one of these factors in the last 12 months increased with size of firm; 38% of sole practitioners and 68% of 2-4 partner firms had experienced at least one factor in the last 12 months compared with 91% among 5-10 partner firms and 99% of 11-25 partner firms.

Figure 6.1: Factors affecting PII premiums experienced in last 12 months



6.4 Within the last 12 months, nearly a third (31%) of firms had notified their insurer of circumstances that may give rise to a claim against the firm, while just under a fifth (17%) had had an insurance claim made against the firm. Other common risk factors were an increase in the number of fee earners (22%) or a decrease in the number of fee earners (14%).

6.5 The likelihood of having an insurance claim made against the firm increased with the size of the firm. Just 9% of sole practitioners had experienced a claim against them in the last twelve months, compared with 15% of 2-4 partner firms, 47% of 5 to 10 partner firms, and 68% of 11-25 partner firms. Firms that had been practising for more than ten years were also more likely to have had claims made against them (25% compared with 8% of firms practising for less than 5 years). It should be noted that, while some claims made against firms come about very soon after the alleged error or omission because the mistake is immediate and obvious to the client, in other cases it may take longer before a problem is identified - about 40% of claims are made more than three years after the alleged error or omission. This may explain why more newly established firms do not have the same extent of claims history.

6.6 Larger firms were also more likely to have notified their insurer of circumstances that could give rise to a claim. 16% of sole practitioners had notified their insurer of such circumstances, compared with 34% of 2-4 partner firms, 73% of 5-10 partner firms and 89% of 11-25 partner firms. Similarly, more established firms were more likely to have notified their insurer of circumstances that could give rise to a claim; 43% of those practising for 10 years or more had done so, compared with 20% of those practising for between 5 and 10 years, and 17% of those practising for less than 5 years[7].

6.7 Larger firms were more likely to have experienced an increase in the number of fee earners in the last 12 months: this was the case for 54% of 11-25 partner firms compared with 12% of sole practitioners (the figures for 2-4 partner firms and 5-10 partner firms were 26% and 38% respectively).

6.8 Table 6.1 below shows the proportion of firms who had experienced each factor category across the last three waves of the research. The extent to which firms had experienced certain factors in the preceding 12 months has remained consistent over the past three years, with the four most commonly experienced risk factors in each of the three waves being notifying an insurer of a potential claim being made against the firm, an increase in the number of fee earners, that and insurance claim had been made against the firm and a decrease in the number of fee earners. Although the proportion of firms who had notified an insurer of a potential claim being made against the firm was nine percentage points lower in 2013-14 than in 2012-13 (31% compared with 40%) the 2013-14 figure was in line with the figure of 30% given in the 2011-12 wave of the research.

Table 6.1: Risk factors experienced in last 12 months (over the last 3 waves of PII research)

	2013-14 PII research	2012-13 PII research	2011-12 PII research
Base	595	600	600
	(%)	(%)	(%)
Notified insurer of circumstances that may give rise to a claim against the firm	31%	40%	30%
Increase in the number of fee earners	22%	23%	19%
Insurance claim made against the firm	17%	22%	20%
Decrease in the number of fee earners	14%	16%	14%
Increased turnover of staff	9%	8%	5%
A Legal Ombudsman decision about a complaint involving your firm which required your firm to provide a remedy	8%	11%	N/A
No resident principal within a branch	3%	3%	1%
Merger with another firm	2%	4%	3%
Had a current partner who is also a partner at another firm	1%	2%	2%
Taken on a new partner with a claims record	1%	2%	1%
Delays or difficulties in the payment of insurance premiums	2%	1%	1%
Taken on a new partner with less than three years Post Qualification Experience	2%	*%	2%
One or more partners has taken the Qualified Lawyers Transfer Scheme (QLTS)	*%	1%	1%

6.9 Table 6.2 below shows the median PII premium in 2013-14 paid by firms who had no claim against them in the last 12 months compared to firms who did, by size of firm. Across all sizes of firms, firms who had a claims history paid higher premiums on average than firms who did not, by a considerable margin.

Table 6.2: Median PII premiums by size of firm and claims in last 12 months

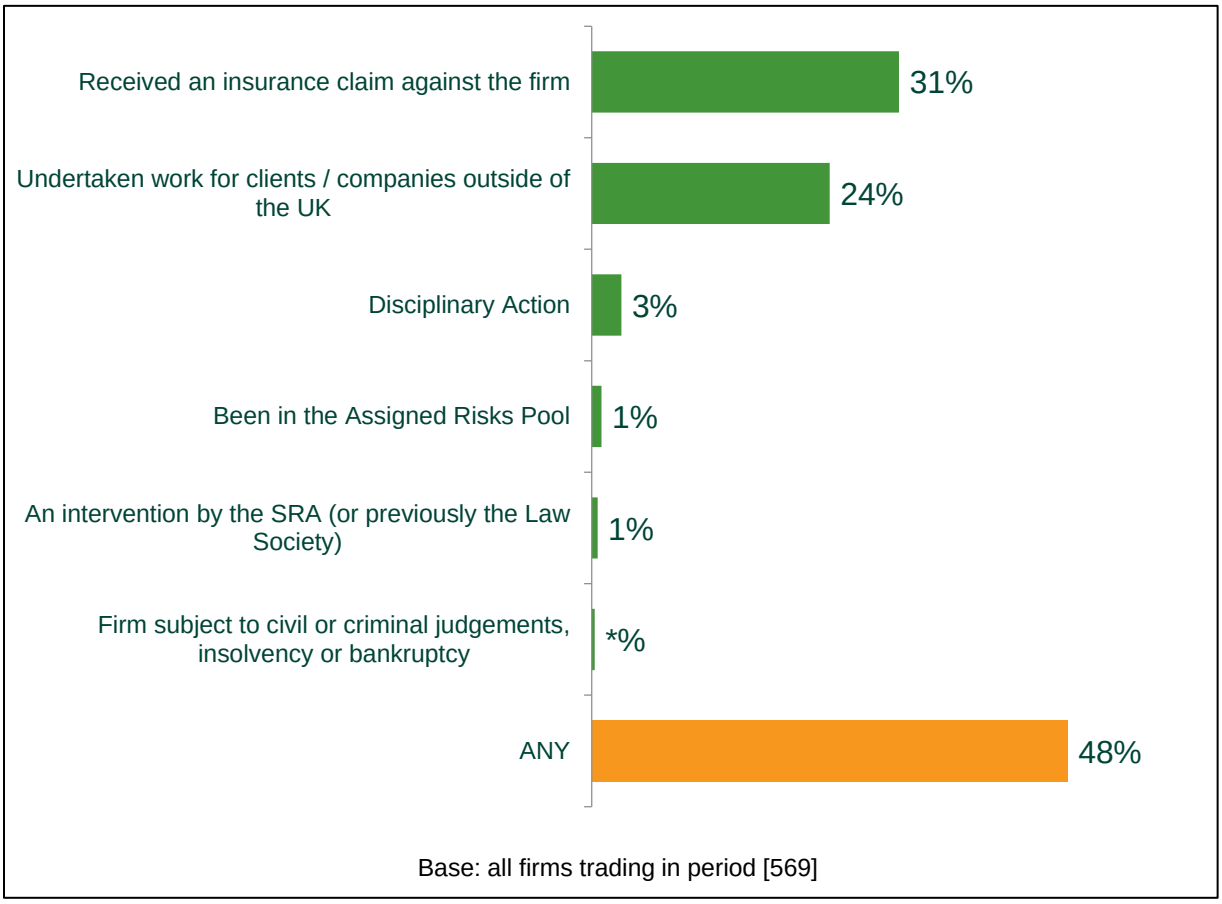
	Median 2013-14 Premium *No claim in last 12 months*	Median 2013-14 Premium *Claim in last 12 months*
All firms trading longer than 12 months	**£10,000**	**£52,576**
Sole practitioners	£6,000	£11,320
2-4 partners	£20,476	£50,574
5-10 partners	£52,773	£75,944
11-25 partners	*Very small base size*	*Very small base size*

6.10 Firms were also asked if they had experienced various factors in the last five years (excluding new firms established within the last 12 months). As shown in Figure 6.2, almost half (48%) of firms had experienced at least one of these factors in the last five years. Again likelihood of having experienced any factors increased with size of firm (30% of sole practitioners and 33% of 2-4 partner firms had experienced at least one factor compared with 56% among 5-10 partner firms and 63% of 11-25 partner firms.

6.11 Within this period, nearly a third (31%) of firms received an insurance claim against the firm. Once again, this was more likely among larger firms, with 86% of 11-25 partner firms having received a claim, compared with 76% of 5-10 partner firms, 28% of 2-4 partner firms, and 19% of sole practitioners.

6.12 The second most common factor, experienced by just under a quarter (24%) of firms in the last five years, was having undertaken work for clients or companies outside of the UK. Once again this was more common among the larger firms, with 61% of 11-25 partner firms having undertaken work for clients or companies outside of the UK compared with 35% of 5-10 partner firms, and 21% of firms with fewer than five partners.

Figure 6.2: Factors experienced in last 5 years affecting PII premiums



Relationship between risk factors and PII premiums

6.13 Statistical analysis of the data on PII premiums paid was conducted to explore the factors with greatest influence on the level of premium paid. Correlated Components Regression (CCR) analysis indicated that the factors with the greatest influence on premiums paid are:

- Gross Fee Income in the past 12 months – with an increase in income associated with an increase in premiums. This was the dominant determinate of the level of PII premiums paid, explaining over half of the variance.
- Number of Solicitors in firm – with an increase in number of solicitors associated with an increase in premiums. This accounted for a further fifth of the variance in the level of PII premiums paid
- The remaining variance is mostly explained by the type of work undertaken and/or the proportion of gross fee income derived from those types of work:
  - Any involvement in Residential Conveyancing and Business and Commercial Affairs pushes up the PII premium by a moderate but significant amount
  - An increased proportion of fees derived from Residential Conveyancing and Probate Wills and Trusts also pushes up the PII premium by a small but significant amount
  - An increased proportion of fees derived from Crime pushes down the PII premium by a moderate but significant amount
  - An increased proportion of fees derived from Immigration, Legally aided private individuals and Employment Law pushes down the PII premium by a small but significant amount
- Using the Extended Indemnity Period only pushes up PII premium a tiny but significant amount

6.14 The regression model can be used to provide an estimate of the impact on PII premiums of each of these factors.

6.15 As shown above, a large proportion of the variation in premiums can be explained by differences in gross fee income:

- If gross fees increase 100 fold, PII premiums increase by approximately 10 fold
- If gross fees multiply by 10 fold, PII premiums increase by approximately 3.1 times
- If gross fees are quadrupled, then PII premiums approximately double
- As gross fees are doubled, PII premiums increase by approximately 1.4

6.16 The bands used in the regression model for number of solicitors were as follows:

- 1 solicitor
- 2 solicitors
- 3-4 solicitors
- 5-10 solicitors
- 11-25 solicitors
- >25 solicitors

The impact of a firm moving up a size band is for the average PII premium to increase by approximately 20%

6.17 The effect on average PII premiums of the types of work undertaken by the firm are

- For any involvement in residential conveyancing, an increase of around 40%
- For any involvement in business and commercial affairs, an increase of around 30%

6.18 The effect on PII premiums as a result of 10 percentage point INCREASE in the amount of gross fee income fee accounted for by different types of work/clients is:

Table 6.3: Impact of type of work

Type of work	Impact of 10 percentage point increase in gross fee income derived from type of work
Residential conveyancing	5% increase in average PII premium
Probate wills and trusts	4% increase in average PII premium
Immigration	3% increase in average PII premium
Legally-aided private individuals	4% decrease in average PII premium
Crime	6% decrease in average PII premium
Employment law	8% decrease in average PII premium

6.19 The effect of a firm using the 30 day Extended Indemnity Period is for average PII premiums to increase by 2.19 times. However this only applies to a very small number of firms - one in twenty who responded - and hence its impact on premiums across the market as a whole is quite small.

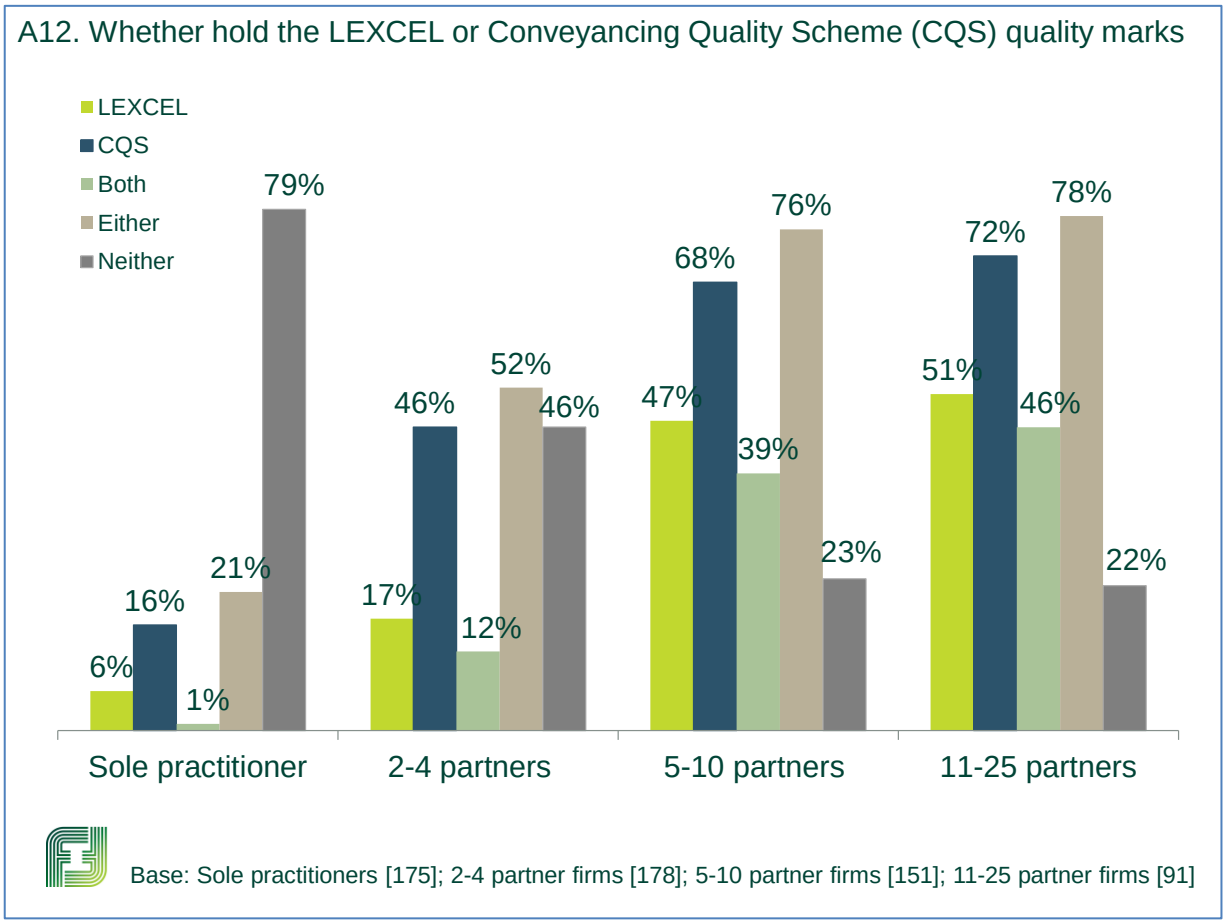
6.20 Technical details of the regression analysis conducted are given in Appendix A.

The Lexcel/CQS Scheme

6.21 As part of the 2013-14 research all firms were asked whether they held either of the LEXCEL or Conveyancing Quality Scheme (CQS) quality marks. In total 41% of firms held one or both quality marks, and 58% held neither quality mark (11% of firms held both). The CQS quality mark was the more likely quality mark to be held, with 35% of firms holding it compared with the 16% who held the LEXCEL quality mark.

6.22 Figure 6.5 below shows that the likelihood of holding a quality mark differs by size of firm. The likelihood of holding either one or both of the two quality marks increases with the size of firm; for example just 1% of sole practitioners held both quality marks, rising to 46% of 11-25 partner firms.

Figure 6.3: Quality marks held by firms

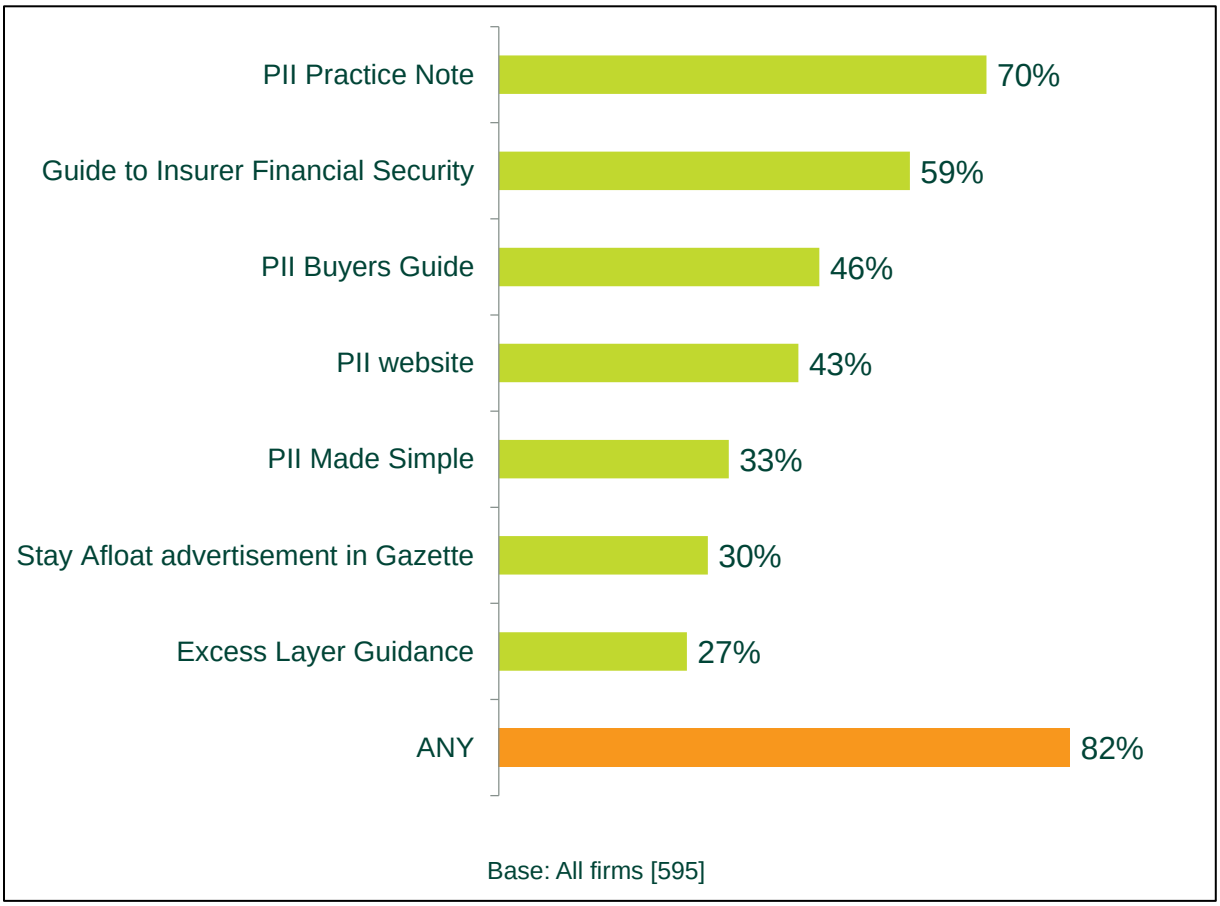


7 Usefulness of Law Society guidance

7.1 This chapter reports firms' awareness of PII guidance from the Law Society and its usefulness to firms.

7.2 As shown in Figure 7.1, just over four-fifths (82%) of firms were aware of at least one of the pieces of Law Society guidance in the research. Levels of awareness of the different types of guidance vary. The PII Practice Note had the highest awareness level (70% were aware of this guidance). Firms were least likely to be aware of Excess Layer Guidance (27%).

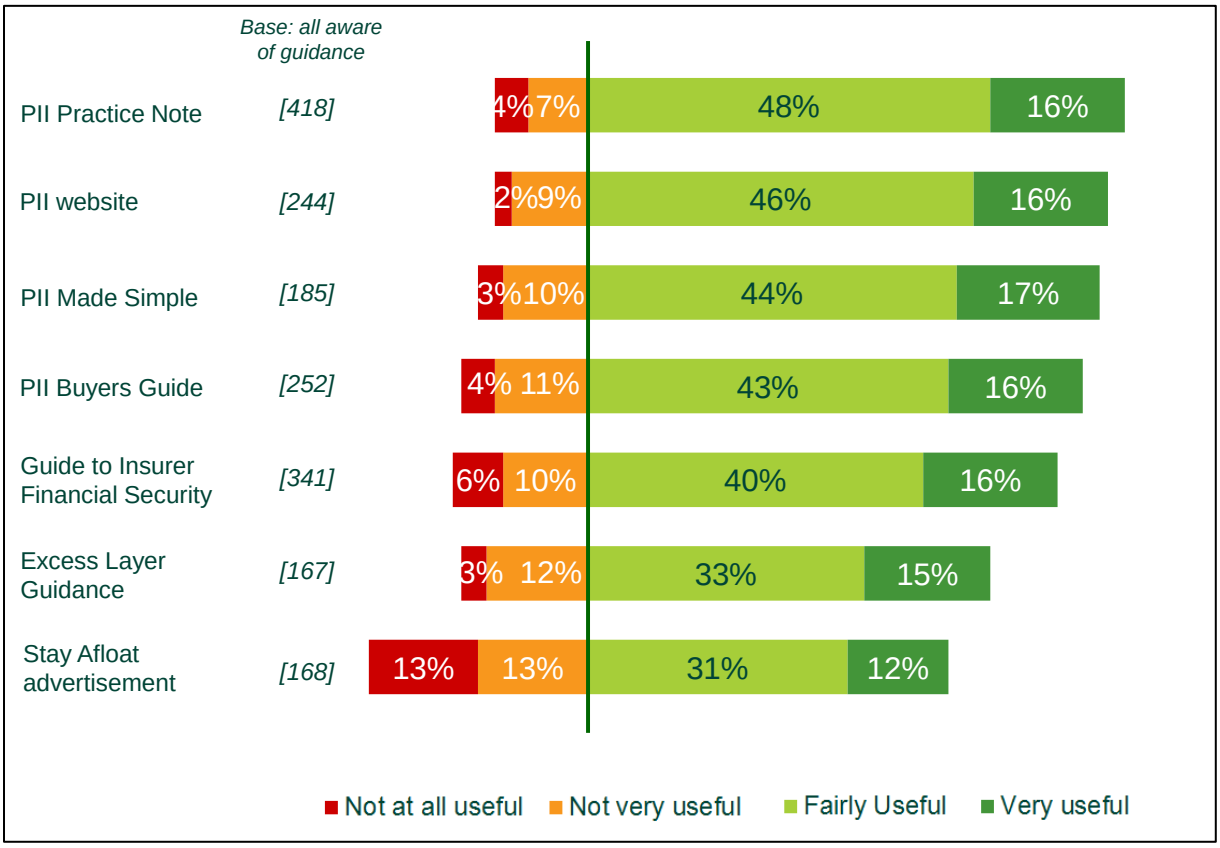
Figure 7.1: Awareness of Law Society guidance



7.3 Smaller firms were more likely to have heard of the PII Buyers Guide (48% of sole practitioners and 47% of 2-4 partner firms, compared with 31% of 11-25 partner firms) and the Stay Afloat advertisement in the Gazette (32% of firms with fewer than five partners compared with 22% of firms with five or more partners). Firms with 11-25 partners were less likely to be aware of the PII website (25%, compared with 44% of firms with fewer than 11 partners), while sole practitioners were less likely to be aware of Excess Layer Guidance (20%, compared with 32% of firms with two or more partners).

7.4 For each type of guidance they were aware of, firms were asked to rate the usefulness of the guidance, as shown in Figure 7.2 (excluding responses of 'neither useful nor not useful').

Figure 7.2: Usefulness of Law Society guidance



7.5 As well as having the highest level of awareness, PII Practice Note was also regarded by firms as being the most useful, with nearly two-thirds (64%) rating it as either fairly or very useful. The Stay Afloat advertisement was seen as the least useful – less than half of firms (43%) rated it as fairly or very useful, while just over a quarter (26%) felt it was not at all or not very useful.

7.6 For three of the guidance types, firms that had rated the PII renewal process as difficult were significantly more likely to rate the guidance as not useful: PII Made Simple was rated not useful by a quarter (25%) of firms who found the process difficult, compared with 8% of firms who did not find the process difficult; just under a fifth (19%) of firms who found the process difficult felt that PII Practice Note was not useful, compared with 9% of firms who did not find the process difficult; and more than a quarter (27%) of firms who found the process difficult felt that the Excess Layer Guidance was not useful, compared with 12% of firms who did not experience difficulty.

8 Appendices

- Appendix A: Details of statistical analysis
- Appendix B: Advance letter to sampled law firms
- Appendix C: Pro Forma sent to sampled law firms
- Appendix D: Survey Questionnaire

Appendix A: Details of statistical analysis

8.1 In order to assess the relationship between the level of PII premiums (the dependent variable) and a series of potential explanatory variables (independent variables) Correlated Components Regression (CCR) was used to assess the drivers of the annual cost of firms' compulsory level of PII for this current year (2013-14) using linear modelling.

8.2 Key features of CCR are that it:

- Optimises the drivers model with respect to how well it predicts out-of-sample (outside of the sample it was developed on).
- Uses a type of factor analysis among predictors (hidden behind the scenes) to stabilise the model and give better out-of-sample prediction.
- Screens out predictors which are not relevant to out-of-sample prediction; ensure that those remaining are relevant to predicting new cases
- Does not require large samples; designed to produce high quality models with very small samples

8.3 The regression model developed is shown in the table below. This model has an R-squared value of over 80% indicating that it is a very strong model.

Table 8.1: Regression model

Order	Quest	Description	Effect	Correlation		Importance
1	LOG_A8	Log of Gross Fee income in the past 12 months	0.570	0.781		54%
3	SUMVARS _SOLICITORS_band	Number of Solicitors in firm (banded)	0.216	0.678		18%
5	H8K_rec	Types of work undertaken in last 12 months: Residential conveyancing	0.139	0.492		8%
4	H8A_rec	Types of work undertaken in last 12 months: Business and commercial affairs	0.111	0.399		5%
6	H9_4_rec	Percentage of firm's gross fee income derived from: Crime	-0.157	-0.239		5%
9	H9_11_rec	Percentage of firm's gross fee income derived from: Residential conveyancing	0.085	0.229		2%
10	H9_12_rec	Percentage of firm's gross fee income derived from: Immigration	-0.059	-0.286		2%
11	H11_2_rec	Percentage of firm's gross fee income derived from: Legally-aided private individuals	-0.095	-0.172		2%
8	H9_10_rec	Percentage of firm's gross fee income derived from: Probate wills and trusts	0.049	0.292		2%
7	H9_5_rec	Percentage of firm's gross fee income derived from: Employment law	-0.098	-0.118		1%
2	D1A_rec	Firm using the 30 day 'Extended Indemnity Period' extension	0.098	0.076		1%

Appendix B: Advance letter to sample law firms

From the President

15th November 2013

FAO: Practice Manager

Professional Indemnity Insurance survey 2013 **REF:** [IFF ID]

The Law Society conducts an annual research study amongst members to understand the extent to which firms experience problems with obtaining PII at an economically viable price, or indeed, at all. The research findings are used to lobby the Solicitors Regulation Authority and the insurance industry to make changes in the interests of the profession. The research also provides a much-needed overview of solicitors' experiences in purchasing PII that will be used by the Law Society to produce guidance and products to assist its members.

This year we have commissioned IFF Research to undertake the survey to explore your experiences of the 2013–14 PII renewal process. Your firm has been selected in a random sample and you may be invited to participate in a telephone interview lasting for approximately 15 minutes. We very much hope that you will be able to participate.

Over the next few weeks, IFF Research may contact you to arrange an interview. We want to talk to the person in your firm primarily responsible for the PII application process who had day-to-day contact with brokers and insurers during the renewal season. If you do not want to participate, please call IFF Research on free phone 0800 652 0435. If you are not the most appropriate person to participate, please let IFF know the name of an alternative colleague by calling Jessica Huntley Hewitt on free phone 0800 652 0435 or by email at PIISurvey2013@IFFResearch.com. Alternatively, you can tell IFF when they call you for an interview.

To help you when taking part in the interview, it would be useful if you had reference to the following information about your firm:

- The brokers/providers approached for a quote
- The cost of your compulsory PII cover for 2013-14 and how this compares to the 2012-13 premium

So that we can understand how different types of organisations are affected, we would also ask that you have the following information ready prior to the interview:

- Your gross fee income for 2012–13 and how it compares to 2011–12
- The approximate proportion of gross fee income derived through client types (for example income from private individuals, legally-aided private individuals, private firms or public bodies)

We have provided a pro-forma which shows some of the information we are seeking to find out.

The information that you provide will be analysed collectively with that from the other participating firms and the results will be provided to the Law Society in an anonymised and aggregated form so that participating individuals and firms cannot be identified. The results will not be used for any marketing purposes. IFF Research is a full member of the Market Research Society and strictly abides by the Society's Code of Conduct.

If you have any queries please call Steve King at the Law Society on 020 7320 5787 or email steve.king@lawsociety.org.uk.

Yours sincerely

Nicholas Fluck
President

Appendix C: Pro Forma sent to sampled law firms

Professional Indemnity Survey 2013 PRO-FORMA

This document outlines a number of key pieces of information IFF will be gathering in the telephone interview that may require looking-up in advance. Having this information ready to hand will make the interview process much quicker. Please do not post or email this pro-forma back to IFF or the Law Society.

Firm details

Firms gross fee income for 2011–12	
Firms gross fee income for 2012–13	

Type of clients during 2012-13

Client type	Approximate % of gross fee income derived from client type
Private individuals who are not legally aided	
Legally-aided private individuals	
Private sector firms or companies	
Public sector bodies (e.g. central or local government, CPS, NHS etc)	
Overseas clients	
Other clients (e.g. charities, trade unions, etc)	
	Total =100%

Type of work during 2012-13

Area of law	Approximate % of gross fee income derived from area of law
Business and commercial affairs	
Commercial property	
Consumer problems	
Crime	
Employment law	
Family law (including matrimonial and child care law)	
Personal bankruptcy, personal insolvency, and debt	
Personal financial management and advice	
Personal injury, accident, medical negligence	
Probate, wills and trusts	
Residential conveyancing	
Immigration	
Welfare benefits and social security rights	
Other	
	Total =100%

Brokers applied to in the 2013-14 renewals

Name of broker applied to

Insurers applied to in the 2013-14 renewals

Name of insurer applied to	Whether applied directly or via a broker	Outcome Offer / refused / no response

PII details

Cost of compulsory level of PII for 2012-13 excluding VAT (not including Excess or top-up cover)	
Cost of compulsory level of PII for 2013-14 excluding VAT (not including Excess or top-up cover)	
Excess on claims of PII for 2012-13	
Excess on claims of PII for 2013-14	

Appendix D: Survey Questionnaire

Private & Confidential J5293 Date

Professional Indemnity Insurance Survey 2013 - 2014 Telephone

S Screener

ASK TELEPHONIST

S1 **Good morning / afternoon. My name is NAME and I'm calling from IFF Research. Please can I speak to NAME?**

Transferred	1	CONTINUE
Hard appointment	2	MAKE APPOINTMENT
Soft Appointment	3	
Refusal	4	CLOSE
Refusal – company policy	5	
Refusal – Taken part in recent survey	6	
Nobody at site able to answer questions	7	
Not available in deadline	8	
Engaged	9	
Fax Line	10	
No reply / Answer phone	11	
Residential Number	12	
Dead line	13	
Company closed	14	

ASK ALL

S2 **Good morning / afternoon, my name is NAME, calling from IFF Research, an independent market research company. We are currently conducting a project on behalf of the Law Society which looks to understand the extent to which firms experience problems obtaining Professional Indemnity Insurance at an economically viable price. The research findings are also used to lobby the Solicitors Regulation Authority to make changes in the interests of the profession. The findings will provide a much needed overview of solicitors' experience in purchasing PII that will be used by the Law Society to produce guidance and products to assist its members.**

Can I just check that you have received the letter from Nicholas Fluck, president of the Law Society, and the pro-forma which details some of the key information we are trying to capture in the interview that may require looking-up in advance.

ADD AS NECESSARY: **Having this information ready to hand will make the interview process much quicker.**

IF RESPONDENT HAS RECEIVED LETTER BUT NOT READ OR FILLED OUT PRO-FORMA ARRANGE AN APPOINTMENT FOR A TIME WHEN THEY HAVE READ AND FILLED OUT THE PRO-FORMA

IF RESPONDENT HAS NOT RECEIVED THE LETTER AND PRO-FORMA TAKE THEIR EMAIL ADDRESS SO THE LETTER AND PRO-FORMA CAN BE AUTOMATICALLY SENT TO THEM

Respondent has received and completed pro-forma	1	CONTINUE TO S2B
Respondent has received pro-forma, but not filled in	2	MAKE APPOINTMENT
Respondent has not received pro-forma	3	SEND EMAIL & MAKE APPOINTMENT
Don't know	4	SEND EMAIL & MAKE APPOINTMENT

IF S2=3 OR 4

INTERVIEWER ENTER RESPONDENT'S NAME AND EMAIL ADDRESS FOR THE LETTER AND PRO-FORMA TO BE SENT TO THEM. MAKE AN APPOINTMENT FOR A TIME WHEN THEY WILL HAVE READ AND FILLED OUT THE PRO-FORMA.

THIS EMAIL SHOULD ONLY BE SENT TO THE PERSON YOU ARE CURRENTLY SPEAKING TO.

S2a1a Respondent Name

WRITE IN RESPONDENT'S NAME

DP USE THIS FOR 'NAME' FIELD IN EMAIL TEXT

S2a1 Email address

WRITE IN EMAIL ADDRESS

WRITE IN EMAIL AGAIN – DOUBLE CHECK SPELLING

S2a1 Email address check

WRITE IN EMAIL ADDRESS

DP CHECK BOTH EMAILS ENTERED MATCH, IF NOT TELL INTERVIEWER TO RE-CHECK

S2B The interview will take about 15 minutes to complete depending on your answers and will be conducted in accordance with the Market Research Society Code of Conduct, which guarantees confidentiality and anonymity.

Continue	1	CONTINUE
Referred to someone else at establishment NAME_____ JOB TITLE_____	2	TRANSFER AND RE-INTRODUCE
Hard appointment	3	MAKE APPOINTMENT
Soft appointment	4	
Refusal	5	THANK AND CLOSE
Refusal – company policy	6	
Refusal – taken part in recent survey	7	
Not available in deadline	8	

THIS CALL MAY BE RECORDED FOR QUALITY AND TRAINING PURPOSES ONLY.

REASSURANCES TO USE IF NECESSARY
The interview will take around 15 minutes to complete.
Please note that all data will be reported in aggregate form and your answers will not be reported to our client in any way that would allow you to be identified.
If respondent wishes to confirm validity of survey or get more information about aims and objectives, they can call:

- **MRS: Market Research Society on 0500396999**
- **IFF: Jessica Huntley Hewitt or Lydia Fellows: 0207 250 3035**
- **Law Society: Steve King: 020 7320 5787**

Or email:

- **PIISurvey2013@IFFResearch.com**

A Background

A1 **Are you the person best placed in your firm to ask about the 2013-14 PII renewal process?**
PROMPT IF NECESSARY: We want to talk to the person primarily responsible for your firms PII application process i.e. the person who filled in the proposal form and was responsible for the day-to-day interaction with brokers/insurers.

Yes	1	
No	2	GO TO REFERRAL
Don't know	3	GO TO REFERRAL

IF NOT A SOLE PRACTITIONER (REGIS PARTNER = NOT 1)

A2 **Can I just check that there are still [NUMBER OF PARTNERS FROM REGIS] partners / partner equivalents in your firm?**

Yes	1	
No	2	
Don't know	3	

IF REGIS PARTNER=1

A3 **Are you still in sole practice?**

Yes	1	
No	2	
Don't know	3	

ASK IF NOT CORRECT NUMBER OF PARTNERS (A2=2 OR A3=2)

A4 **Can you tell me how many partners / partner equivalents there are in your firm?**

WRITE IN

IF DON'T KNOW EXACT NUMBER – PROMPT WITH RANGES

1 (sole practitioner)	1
2 – 4 partners	2
5 – 10 partners	3
11 – 25 partners	4
26 or more [THANK AND CLOSE]	5
Don't Know	6

A5 **QUESTION DELETED**

ASK ALL

A6 **Is your firm a new business, established within the last 12 months?**

Yes	1	
No	2	

IF NOT A NEW BUSINESS (A6=2)

A7 **How long has your firm been practicing?**

RECORD NUMBER OF YEARS

WRITE IN

IF DON'T KNOW EXACT NUMBER – PROMPT WITH RANGES

Less than five years	1
Five to ten years	2
Ten years or more	3
Don't Know	4

ASK ALL

A8 **Approximately, what was your firm's gross fee income for the past twelve months (i.e. 2012-13) for the purposes of your 2013-2014 PII application?**

ADD IF NECESSARY: Responses are used to identify any PII issues by type of firm. Answers to all questions are anonymous, confidential and are presented to the Law Society at an aggregated level.

£ (write in)	1
Don't know	2
Refused	3
No gross income in time period	4

ASK IF NOT 'NO GROSS INCOME IN TIME PERIOD' (A8=1-3)

A9 **And approximately, what was your firm's gross fee income in the previous twelve months (i.e. 2011-12) for the purpose of your 2012-13 PII application?**

£ (write in)	1
Don't know	2
Refused	3
No gross income in time period	4

IF DON'T KNOW 2011-12 GROSS FEE INCOME OR REFUSE TO ANSWER (A9=2/3)

A10 **Was it higher or lower in 2011-12 than in 2012-13? Or was it broadly the same?**

Higher	1	
Lower	2	
Broadly the same	3	
Don't know	4	
Refused	5	

IF GROSS FEE INCOME HIGHER OR LOWER IN 2011-12 (A10=1/2)

A11 **And roughly what was the percentage [A10=1: decrease] [A10=2: increase]?**
RECORD NUMBER

WRITE IN

DK

ASK ALL

A12 **Does your firm hold either of the following quality marks?**
READ OUT. CODE ONE PER ROW

	Yes	No	Don't know
LEXCEL	1	2	3
Conveyancing Quality Scheme (CQS)	1	2	3

A13 **QUESTION DELETED**

B Professional Indemnity Insurance used in previous year 2012-13

ASK IF NOT NEW FIRM (A6= 2)

B1 **Has your firm ever been in the Assigned Risk Pool (ARP)?**

READ OUT. SINGLE CODE.

Yes – more than once	1	
Yes – just once	2	
No	3	
Don't know	4	

Next we would like to ask you about your Professional Indemnity Insurance last year (2012-13).

ASK IF NOT NEW FIRM (A6= 2)

B2 **Which company insured your firm for PII cover in 2012-13?**

PROMPT IF NECESSARY

AM Trust	1	
Allianz	2	
Alpha	3	
Aviva	4	
Axis	5	
Barbican / LIBRA	6	
Balva Insurance / Apro Management	7	
Chartis	8	
Berliner Versicherung Aktiengesellschaft / APRO Management	9	
Chubb	10	
Elite	11	
Enterprise / Monitor Insurance	12	
European Risk Insurance Company (ERIC) / APRO Management	13	
First Title	14	
Hannover	15	
Liberty/Vision	16	
Pembroke	17	
QBE	18	
Royal and Sun Alliance (RSA)	19	
Travelers	20	
WR Berkley	21	
XL	22	
Zurich	23	

Other (specify)	24	
Don't know	25	

ASK IF NOT NEW FIRM (A6=2)

B3 **For how many years has your firm been insured by** [NAME OF INSURER AT B2]?
WRITE IN NUMBER OF COMPLETE YEARS

WRITE IN

DK

IF NOT A NEW BUSINESS (A6=2)

B3A **What was the annual cost of your firm's compulsory level of PII for last year (2012-2013)?**
IF NECESSARY: By this I mean what was the PREMIUM paid NOT what was the liability limit.
WRITE IN AMOUNT AS A NUMBER

AMOUNT SHOULD NOT INCLUDE COST OF EXCESS / TOP UP COVER

Cost (write in)	£
Not applicable (not trading)	1
Don't know	2
Refused	3

IF COST GIVEN THEN CODE TO RANGE

ASK IF GAVE AMOUNT FOR B3A

B3B **Did that include 6% insurance premium tax (IPT)?**

Yes	1	
No	2	
Don't know	3	

IF NOT A NEW BUSINESS (A6=2)

B3C **What was the excess on claims in your PII policy last year (2012-2013)?**
PROMPT IF NECESSARY: WE ARE LOOKING FOR THE EXCESS PER CLAIM

WRITE IN AMOUNT AS A NUMBER

Excess per claim	£ write in
Not applicable (not trading)	2
Don't know	3
Refused	4

ASK IF NOT A NEW BUSINESS (A6=2)

B4 **Did your firm seek to renew PII cover with** [NAME OF INSURER AT B2] **for this current year (2013-2014)?**
SINGLE CODE. PROMPT IF NECESSARY. INTERVIEWER PROBE AROUND 'NO' RESPONSES TO GATHER REASON WHY

Yes	1	
No, did not wish to reuse them	2	
No, no longer offering insurance cover	3	
No, other reason (write in)	4	
Don't know	5	

ASK IF SOUGHT TO RENEW COVER WITH 2011-12 INSURER (B4=1)

B5 **Did** [NAME OF INSURER AT B2] **offer your firm PII cover in 2013-14?**
CODE ONE

Yes – through an early renewal offer	1	
Yes – on application (either through your broker or direct)	2	
No	3	
Don't know	4	

B5A to B5C **QUESTION DELETED**

B6 **QUESTION DELETED**

ASK IF 2011-12 INSURER DID OFFER COVER FOR 2012-13 (B5=1)

B7 **Did your firm take up the offer of PII cover for 2013-2014 with** [NAME OF INSURER AT B2]?

Yes	1	
No	2	
Don't know	3	

ASK IF DID NOT TAKE UP OFFER (B7=2)

B8 **What was the reason for your firm declining the offer of PII cover for 2013-2014 with** [NAME OF INSURER AT B2]**?**

DOT NOT READ OUT. CODE ALL THAT APPLY.

Premiums increased over last year	1	
Better offer found with other provider	2	
Preferred an offer from a rated provider (over existing cover from an unrated provider)	3	
Preferred an offer from an unrated provider (over existing cover from an unrated provider)	4	
Insufficient time to consider the quote	5	
Other (write in)	6	
Don't know	7	

C Application for Professional Indemnity Insurance cover in 2013-2014

ASK ALL

C1 **Thinking about this year's application, how many brokers did you apply to for PII cover for 2013-14?**

NOTE ASKING HOW MANY APPLIED FOR, NOT HOW MANY QUOTES RECEIVED

WRITE IN

DK

IF DON'T KNOW EXACT NUMBER – PROMPT WITH RANGES

None	
Only one broker	
2-3 brokers	
4 or more brokers	
Don't Know	

C2 **QUESTION DELETED**

ASK IF USED A BROKER / BROKERS (C1>=1)

C3 **Which BROKERS did your firm contact for PII cover in 2013-2014?**

C3A **Through which broker did you ultimately find cover?**

	C3	C3A
Aon	1	1
Giles	2	2
St Giles	3	3
Lockton	4	4
Marsh	5	5
Prime Professions	6	6
Paragon	7	7
QPI	8	8
Hera Indemnity	9	9
Bar Professions	10	10
United Insurance Brokers	11	11
Headley Insurance Brokers	12	12
Brunel	13	13
Other (write in) - 1	14	14
Other (write in) - 2	15	15
Other (write in) - 3	16	16
Don't know	17	17
[C3A only] Did not find cover through a broker	18	18

ASK ALL WHO USED A BROKER (C1>=1)

I am now going to ask you a handful of questions about each broker that you contacted for PII cover in turn

START LOOP. ASK C3F TO C3L IN A LOOP FOR EACH BROKER MENTIONED AT C3

Firstly/now I'd like to ask about [INSERT BROKER FROM C3]

C3B to C3E **QUESTION DELETED**

C3F **What level of service did you agree with** [INSERT BROKER AT C3]? **Was it...?**
SINGLE CODE

An advisory and execution service (By advisory we are referring to the fact that some brokers take an active advisory role in helping firms organise their PII, for example, by visiting firms to help understand the business and advising them what risk management measures will positively influence the Qualifying Insurers.)	1	
Execution only service (That is with no advice)	2	
No level of service agreed	3	
Don't know	4	

C3G **Did** [INSERT BROKER AT C3] **disclose their commission?**
IF YES: If so, did they disclose their commission proactively or did you specifically ask for information on commission?
IF NO: Did you ask for information on commission?
SINGLE CODE

Yes – We specifically asked for it	1	
Yes – it was proactively given	2	
No – we asked for it, but commission not disclosed	3	
No – commission not disclosed (and we didn't ask)	4	
No - broker was paid a fee instead of commission	5	
Don't know	6	

C3H **QUESTION DELETED**

ASK ALL WHO USED A BROKER (C1>=1)

C3I **Do you consider that** [INSERT BROKER AT C2] **kept you adequately informed about the progress of your PII application?**

Yes	1	
No	2	
Don't know	3	

C3J **Using a scale of 1 to 5, where 5 is 'very satisfied' and 1 is 'very dissatisfied', how satisfied were you with the overall level of service your firm received from** [INSERT BROKER AT C2]

Very dissatisfied	1	
Dissatisfied	2	
Neither satisfied nor dissatisfied	3	
Satisfied	4	
Very satisfied	5	
Don't know	6	

IF DISSATISFIED WITH SERVICE (C4J=1 OR 2)

C3K **Why is that?**

WRITE IN

DK

C3L **Did you make a complaint to your broker?**

Yes	1	
No	2	
Don't know	3	

END OF LOOP

ASK ALL

C3M **If you had the choice, would you prefer to use a direct route to insurers rather than using a broker?**

PROMPT IF NECESSARY. CODE ONE ONLY.

Would prefer to go directly to insurers	1	
Would prefer to use brokers	2	
Don't know / no preference	3	

C3M to C3P **DELETED**

ASK ALL

C3Q **Now thinking more generally, when selecting a qualifying insurer for your firm's professional indemnity insurance do you tend to…**

READ OUT. CODE ONE ONLY

Shop around and get a variety of quotes	1	
Renew your firm's policy with existing insurer	2	
Don't know / it varies	3	

ASK THOSE WHO SHOP AROUND (C3Q/1 OR 3)

C3R **Are these quotes usually from ….**

ADD IF NECESSARY: 'by unrated' we mean insurers that does not have any financial security rating (e.g. from Standards and Poors, AM Best, Fitch or Moodys) or is not part of a Lloyds syndicate.

READ OUT. CODE ONE ONLY

Rated insurers ONLY	1	
Unrated insurers ONLY	2	
A mixture of unrated and rated insurers	3	
Don't know / it varies	4	

ASK THOSE WHO HAVE GAINED QUOTED FROM BOTH RATED AND UNRATED INSURERS (C3R/3)

C3S And have you found that unrated insurers are usually cheaper than the rated insurer alternatives?

CODE ONE ONLY.

Yes – unrated insurers are usually cheaper than rated insurers	1	
No – unrated insurers are NOT usually cheaper than rated insurers	2	
Don't know / Varies too much to say	3	

ASK THOSE WHO SAY UNRATED INSURERS ARE CHEAPER (C3S/1)

C3T And would you say that unrated insurers are cheaper than the rated insurer alternatives by…

READ OUT. CODE ONE ONLY.

by 10% or less	1	
10.01 to 20%	2	
Or by more than 20%	3	
Don't know	4	

ASK IF USED A BROKER / BROKERS (C1>=1)

C4 **In total, how many INSURERS did you apply to for PII cover for 2013-14 via a broker?**

WRITE IN

IF DON'T KNOW EXACT NUMBER – PROMPT WITH RANGES

None	
Only one insurer	
2-3 insurers	
4 or more insurers	
Don't Know	

ASK ALL

C5 How many INSURERS did you apply to for PII cover for 2013-14 directly?

WRITE IN

IF DON'T KNOW EXACT NUMBER – PROMPT WITH RANGES

None	
Only one insurer	
2-3 insurers	
4 or more insurers	
Don't Know	

ASK ALL

C6 **Which INSURERS did your firm apply to for PII cover in 2013-14** [IF USED A BROKER / BROKERS C1>=1 OR C1A=2-5] **either directly or via your broker?** [IF DIDN'T USE A BROKER C1=0 OR C1A=1] **directly?**

CODE ALL THAT APPLY. IF THEY REAPPLIED FOR PII COVER WITH INSURER USED IN 2012/13 IN SECTION B REMEMBER TO ASK FOR THIS INSURER.

AM Trust	1	
Allianz	2	
Alpha	3	
Aviva	4	
Axis	5	
Amlin Syndicate	6	
Antares Syndicate	7	
Aspen Syndicate	8	
Barbican / LIBRA	9	
Beazley Group	10	
Berliner Versicherung Aktiengesellschaft / APRO Management	11	
Chartis / AIG	12	
Canopius (Syndicate 958)	13	
Chancery Pii (Allianz, Aspen, Pembroke)	14	
Chubb	15	
Elite	16	
Enterprise / Solicitors PI.com	17	
European Risk Insurance Company (ERIC) / APRO Management	18	
First Title	19	
Hannover	20	
Ironshore Europe Limited	21	
Law Select (Amlin, Canopius, WR Berkely, Ironshore)	22	

Liberty/Vision	23	
Pembroke	24	
QBE	25	
Royal and Sun Alliance (RSA)	26	
Travelers	27	
WR Berkley	28	
XL	29	
Zurich	30	
Other (write in) - 1	31	
Other (write in) - 2	32	
Other (write in) - 3	33	
Don't know	34	

C6A – C6D **QUESTION DELETED**

INCLUDE THIS TEXT ONLY IF MORE THAN ONE INSURER SELECTED AT C6

I'm now going to ask you a question about each insurer you contacted for PII cover in turn...

ASK C7 IN A LOOP FOR ALL CODES MENTIONED AT C6, EXCEPT IF C6 INSURER SAME AS B2 INSURER AND B7=1, IN WHICH CASE ASK C7 IN A LOOP FOR ALL OTHER C6 CODES

C7 **What was the outcome of your application for PII cover with <C6CODE>? Were you...?**

READ OUT. SINGLE CODE.

Made an offer	1	
Not made an offer	2	
Didn't receive a response to the application	3	
Or was there some other outcome (SPECIFY)	4	
Don't know	5	

C8-C17 DELETED

D Professional Indemnity Insurance cover in 2013-2014

D1 **QUESTION DELETED**

ASK ALL

As you will be aware, new regulations introduced this year mean that firms that had not arranged PII cover for the 2013-14 period by September 30th 2013 were automatically given an extended period of PII cover by their current insurer (which is known as the 'Extended Indemnity Period' or 'EIP'). During this time firms could continue to practice and try to obtain PII cover.

ASK ALL

D1A **Did your firm use the 30 day 'Extended Indemnity Period' extension?**

Yes	1	
No	2	
Don't know	3	

ASK IF FIRM USED THE EIP (D1A=1)

D1B **Did your firm then enter the 60 day 'Cessation Period' extension?**

ADD IF NECESSARY: IF A FIRM FAILS TO FIND QUALIFYING INSURANCE DURING THE 30 DAY EXTENDED INDEMNITY PERIOD, THEY WILL ENTER A 60 DAY CESSATION PERIOD. DURING THIS TIME THEY WILL BE UNABLE TO ACCEPT NEW INSTRUCTIONS. FIRMS CAN STILL TRY TO OBTAIN QUALIFYING INSURANCE BUT THE FOCUS MUST SWITCH TO PLANNING ORDERLY CLOSURE.

Yes	1	
No	2	
Don't know	3	

ASK IF FIRM ENTERED CESSATION PERIOD (D1B/1)

D1C **And has your firm arranged insurance yet?**

Yes	1	
No	2	
Don't know	3	

ASK IF FIRM HAS NOT ARRANGED INSURANCE YET (D1C/2)

D1D **And are you intending to arrange insurance or are you in the process of closing the firm?**

Intending to arrange insurance	1	
Intending to close the firm	2	
Don't know	3	

IF NOT IN THE CESSATION PERIOD AND NOT USING SAME INSURER AS 2012-13 (IF ((D1A=2 OR 3) OR (D1A=1 AND (D1B=2 OR D1C=1))) AND NOT B7=1))

DP NOTE: IF B7=1 SET D2 RESPONSE AS B2 (SET UP DUMMY VARIABLE D2DUMMY)

D2 **Which company is insuring your firm for PII compulsory cover in 2013-14?**
PROMPT IF NECESSARY. SINGLE CODE

AM Trust	1	
Allianz	2	
Alpha	3	
Aviva	4	
Axis	5	
Amlin Syndicate	6	
Antares Syndicate	7	
Aspen Syndicate	8	
Barbican / LIBRA	9	
Beazley Group	10	
Berliner Versicherung Aktiengesellschaft / APRO Management	11	
AIG/Chartis	12	
Canopius (Syndicate 958)	13	
Chancery Pii (Allianz, Aspen, Pembroke)	14	
Chubb	15	
Elite	16	
Enterprise / Solicitors PI.com	17	
European Risk Insurance Company (ERIC) / APRO Management	18	
First Title	19	
Hannover	20	

Ironshore Europe Limited	21	
Law Select (Amlin, Canopius, WR Berkely, Ironshore)	22	
Liberty/Vision	23	
Pembroke	24	
QBE	25	
Royal and Sun Alliance (RSA)	26	
Travelers	27	
WR Berkley	28	
XL	29	
Zurich	30	
Other (write in)	31	
Don't know	32	

ASK IF (D1A=2 OR 3) OR (D1A=1 AND (D1B=2 OR D1C=1)

D2A **[**IF B7=1: **Thinking about your offer from** <D2dummy>**,] Did you accept a multi-year policy?**
PROMPT: for example, a policy for 18 months.

Yes	1	
No	2	
Don't know	3	

IF D2A=1

D2B **What date will your cover expire?**

ENTER DATE – ALLOW MONTH AND YEAR OR JUST YEAR IF MONTH IS NOT KNOWN		
Don't know	1	
Refused	2	

IFF Note – just to confirm the square bracket around [IF D2A=1] just indicates that only those who answered D2A=1 will see this code at this question (not that the answer will be automatically be coded for those respondents)

IF NOT CURRENTLY IN CESSATION PERIOD ((IF (D1A=2 OR 3) OR (D1A=1 AND (D1B=2 OR D1C=1))

D3 **Which of the following factors were important to you in making the decision to accept the offer from [insert insurer from D2]?**
READ OUT. CODE ALL THAT APPLY.

The cost of annual premium	1	
The cost of run-off cover	2	
The existing relationship	3	
Discounts offered	4	
The financial security of the insurer (insurer's credit rating)) i.e. whether it was rated or unrated	5	
Excess on claims	6	
[IF D2A=1]Extended policy (for more than one year)	7	
Other (write in)	8	

ASK IF MORE THAN ONE RESPONSE GIVEN FOR D3

D4 **Which would you say had the biggest influence on your decision?**

READ OUT. SINGLE CODE.

DP SHOW CODES SELECTED AT D3

The cost of annual premium	1	
The cost of run-off cover	2	
The existing relationship	3	
Discounts offered	4	
The financial security of the insurer (insurer's credit rating)	5	
Excess on claims	6	
Extended policy (for more than one year)	7	
Other (write in)	8	

ASK IF NOT CURRENTLY IN CESSATION PERIOD (IF (D1A=2 OR 3) OR (D1A=1 AND (D1B=2 OR D1C=1))

D5 **And what was the annual cost of your firm's compulsory level of PII for this current year (2013-2014)?**
WRITE IN AMOUNT AS A NUMBER – COMMA SEPARATED NUMBERS CAN BE USED, E.G. 8,000

*IF NECESSARY - AMOUNT SHOULD BE THE **COST** OF PRIMARY LAYER COVER – DO NOT INCLUDE COST OF EXCESS / TOP UP COVER*

Cost (write in)	£
Not applicable (not trading)	1
Don't know	2
Refused	3

IF COST GIVEN THEN CODE TO RANGE

ASK IF GAVE AMOUNT FOR D5

D6 **Does that include 6% insurance premium tax (IPT)?**

Yes	1	
No	2	
Don't know	3	

IF NOT CURRENTLY IN CESSATION PERIOD (IF (D1A=2 OR 3) OR (D1A=1 AND (D1B=2 OR D1C=1))

D8 **What is the excess on claims in your PII policy for this current year (2013-2014)?**
WRITE IN AMOUNT AS A NUMBER

Excess per claim	£ write in
Don't know	2
Refused	3

IF NOT CURRENTLY IN CESSATION PERIOD (IF (D1A=2 OR 3) OR (D1A=1 AND (D1B=2 OR D1C=1))

D9 Did your firm purchase top-up cover (i.e. excess layer insurance above minimum terms and conditions (MTC) layer) in 2013-14?

THIS IS TOP-UP (SECONDARY) COVER ONLY AND IS ADDITIONAL TO THE COMPULSORY COVER MENTIONED EARLIER

Yes	1	
No	2	
Don't know	3	

ASK IF DID PURCHASE TOP-UP COVER (D9=1)

D10 How much top up cover, in addition to the minimum terms and conditions (MTC) did your firm purchase?

*THIS IS TOP-UP (SECONDARY) COVER ONLY AND IS **ADDITIONAL TO** THE COMPULSORY COVER MENTIONED EARLIER. ENSURE RESPONDENT GIVES **LEVEL OF ADDITIONAL COVER ONLY***

(IF MULTIPLE POLICIES PURCHASED JUST RECORD THE TOTAL)

COMMA-SEPARATED FIGURES ARE ALLOWED, E.G. 2,000,000

WRITE IN

DK

ASK IF DID PURCHASE TOP-UP COVER (D9=1)

D11 And what was the cost of this top up cover?

THIS COST IS THE AMOUNT PAID ON TOP OF THE COST OF THE COMPULSORY LEVEL OF INSURANCE (GIVEN AT QUESTION D5)

COMMA-SEPARATED FIGURES ARE ALLOWED, E.G. 10,000

WRITE IN		
Don't know	1	

E Risk factors associated with changes in PII premiums

ASK ALL

E1 **In the last 12 months, has your firm experienced any of the following?**

READ OUT. SINGLE CODE

	YES	NO	DK
1. Insurance claim made against the firm	1	2	3
2. Notified insurer of circumstances that may give rise to a claim against the firm	1	2	3
3. Increase in the number of fee earners	1	2	3
4. Decrease in the number of fee earners	1	2	3
5. Merger with another firm	1	2	3
6. Taken on a new partner with a claims record	1	2	3
7. Taken on a new partner with less than five years Post Qualification Experience	1	2	3
8. Had one or more partners taken the Qualified Lawyers Transfer Scheme (QLTS)	1	2	3
9. Had a current partner who is also a partner at another firm	1	2	3
10. A Legal Ombudsman decision about a complaint involving your firm which required your firm to provide a remedy	1	2	3
11. Increased turnover of staff	1	2	3
12. No resident Principal within a branch	1	2	3
13. Delays or difficulties in the payment of insurance premiums	1	2	3

ASK IF NOT A NEW FIRM (A6=2)

E2 **Has your firm (or previous practices if applicable) experienced any of the following in the past five years?**

	Yes	No	Don't know
1. An Intervention by the SRA, (or previously the Law Society)	1	2	3
2. Disciplinary Action	1	2	3
3. Firm subject to civil or criminal judgements, insolvency or bankruptcy	1	2	3
4. [IF NOT E1_1=1] Received an insurance claim(s) against the firm	1	2	3
5. [IF NOT B1=3] Been in the Assigned Risks Pool	1	2	3
6. Undertaken work for clients/companies outside of the UK	1	2	3

F Difficulties in the PII application process

ASK ALL

F1 **In your view, how difficult was the process for your firm when trying to renew your PII this year? Was it...**

READ OUT. SINGLE CODE

Very difficult	1	ASK F2
Quite difficult	2	
Neither difficult nor easy	3	ASK G1
Not very difficult	4	
Not at all difficult	5	
DO NOT READ OUT: Don't know	6	

IF RENEWAL PROCESS WAS DIFFICULT (F1=1 OR 2)

F2 **Why do you think this was the case?**

PROBE FULLY

High cost	1	
Delays in getting quotes	2	
Difficulty in getting quotes (due to claim history)	3	
Limited time to consider offers	4	
Little/no feedback from insurers	5	
Prejudice against small firms [perceived]	6	
Left it until the last minute	7	
Process stressful / tedious	8	
Time consuming (too many forms / forms too long)	9	
Affected by purported transfer of policies from Balva to Berliner	11	
Other (write in)	10	

ASK ALL

F3 **Are you aware of the following types of guidance published by the Law Society?**

READ OUT. CODE ONE PER ROW.

	Yes	No	Don't know
Stay Afloat advertisement in Gazette	1	2	3
Guide to Insurer Financial Security	1	2	3
Excess Layer Guidance	1	2	3
PII Practice Note	1	2	3
PII Buyers Guide	1	2	3
PII Made Simple	1	2	3
PII website (PROMPT IF NECESSARY: www.lawsociety.org.uk/pii)	1	2	3

ASK FOR EACH TYPE OF GUIDANCE AWARE OF (CODE 1 AT F3_1 TO _7)

F4 **And how useful did you find the following guidance? Would say very useful, fairly useful, neither useful nor not useful, not very useful or not at all useful?**

	Very useful	Fairly useful	Neither /nor	Not very useful	Not at all useful	Don't know
Stay Afloat advertisement in Gazette	1	2	3	4	5	6
Guide to Insurer Financial Security	1	2	3	4	5	6
Excess Layer Guidance	1	2	3	4	5	6
PII Practice Note	1	2	3	4	5	6
PII Buyers Guide	1	2	3	4	5	6
PII Made Simple	1	2	3	4	5	6
PII website (PROMPT IF NECESSARY: www.lawsociety.org.uk/pii)	1	2	3	4	5	6

G Restructuring the firm / run-off cover

Now, thinking about mergers and run-off cover….

ASK ALL

G1 **Has your firm used the Successor Practice Rules to merge with another firm in the last twelve months?**

Yes	1	
No	2	
Don't know	3	

ASK IF FIRM HAS USED SPR IN A MERGER IN LAST TWELVE MONTHS (G1=1)

G2 **Did you elect to run-off the predecessor practice?**

Yes	1	
No	2	
Don't know	3	

G3 **QUESTION DELETED**

ASK ALL

G4 **Are you aware of what the cost of run-off is in your current policy?**

Yes	1	
No	2	
Don't know	3	

ASK IF AWARE OF RUN-OFF COST (G4=1)

G5 **What is the cost of run-off cover under your 2013-14 policy <u>as a percentage</u> of your annual premium? This is typically between 200-300%**

WRITE IN PERCENTAGE

% of annual premium

DK

ASK ALL

G6 **Have you ever considered putting your firm into run-off?**

Yes	1	
No	2	
Don't know	3	

ASK THOSE WHO HAVE CONSIDERED RUN OFF (G6=1)

G7 **Are you in the process of putting, or do you definitely intend to put, your firm into run-off?**

Yes – in the process	1	
Yes – definitely intend to do so	2	
No	3	
Don't know	4	

ASK THOSE WHO HAVE CONSIDERED RUN OFF BUT NOT STARTED IT (G7=3)

G8 **What influenced your decision not to put your firm into run-off?**

DO NOT READ OUT. CODE ALL THAT APPLY.

Cannot afford premiums	1	
Process too expensive	2	
Decided not to retire	3	
Decided to continue practising	4	
Found firm to take over / merge with	5	
Other (specify)	6	
Don't know	7	
Refused	8	

H Demographics

ASK ALL

H1 **[IF NumberPartners= 1: Is it correct that your firm has one solicitor?] [IF NumberPartners=NOT 1: Is it correct that your firm has [NumberPartners] solicitors, including partners?]**

Yes	1	
No	2	
Don't know	3	

IF SAMPLE NUMBER NOT CORRECT (H1=2)

H2 **Can you tell me how many solicitors your firm has, including partners?**

WRITE IN

DK

ASK ALL

H3 **Excluding solicitors and partners, how many other fee earners does your firm have (for example, paralegals, ILEX)?**

RECORD NUMBER

WRITE IN

DK

H4 **QUESTION DELETED**

H5 **Is it correct that your firm has <TOTAL NUMBER OF OFFICES FROM SAMPLE> offices?**

Yes	1	
No	2	
Don't know	3	

IF NOT CORRECT NUMBER OF OFFICES (H5=2)

H6 **How many offices do you have?**

WRITE IN

DK

ASK ALL

H7 **[IF PARTNER= NOT 1] Are more than half the firm's partners from Black or Minority Ethnic groups? [IF PARTNER =1] Would you describe yourself as being from a Black or Minority ethnic group?**

Yes	1	
No	2	
Don't know	3	
Refused	4	

ASK ALL

H8 **Which of the following types of work has your firm undertaken in the last 12 months?**
READ OUT AND MULTI CODE

INTERVIEWER – IF RESPONDENT MENTIONS LITIGATION, PLEASE PROBE TO ESTABLISH WHAT TYPE(S) OF LITIGATION THEY MEAN.

PLEASE THEN CODE ALL MENTIONS OF LITIGATION INTO THE AREA(S) OF LAW THEY SIT WITHIN (E.G. 'EMPLOYMENT LAW LITIGATION' SHOULD BE CODED AS 'EMPLOYMENT LAW')

ANY MENTIONS OF LITIGATION THAT DO NOT FIT IN THIS WAY, TO BE ENTERED AS 'OTHER'

Business and commercial affairs	1	
Commercial property	2	
Consumer problems		
Crime	3	
Employment law	4	
Family law (including matrimonial and child care law)	5	
Personal bankruptcy, personal insolvency, and debt	6	
Personal financial management and advice	7	
Personal injury, accident, medical negligence	8	
Probate, wills and trusts	9	
Residential conveyancing	10	
Immigration	11	
Welfare benefits and social security rights	12	
Other (write in) 1	13	
Other (write in) 2	14	
Other (write in) 3	15	
No work undertaken in last 12 months [DP: SINGLE CODE]	16	

ASK IF HAVE UNDERTAKEN WORK IN LAST 12 MONTHS H8 1-13

H9 **And still thinking about the last 12 months, what proportion of your firm's total gross fee income was derived from these areas of law…?**
Please note that your responses across all these areas must add up to 100% in total.
READ OUT ALL CODES MENTIONED AT H8 – MULTI CODE. ALLOW DECIMALS.

ADD IF NECESSARY: THIS CAN BE YOUR BEST ESTIMATE

Business and commercial affairs	WRITE IN PROPORTION (0-100%). ALLOW DK
Commercial property	WRITE IN PROPORTION (0-100%). ALLOW DK
Consumer problems	WRITE IN PROPORTION (0-100%). ALLOW DK
Crime	WRITE IN PROPORTION (0-100%). ALLOW DK
Employment law	WRITE IN PROPORTION (0-100%). ALLOW DK
Family law (including matrimonial and child care law)	WRITE IN PROPORTION (0-100%). ALLOW DK
Personal bankruptcy, personal insolvency, and debt	WRITE IN PROPORTION (0-100%). ALLOW DK
Personal financial management and advice	WRITE IN PROPORTION (0-100%). ALLOW DK
Personal injury, accident, medical negligence	WRITE IN PROPORTION (0-100%). ALLOW DK
Probate, wills and trusts	WRITE IN PROPORTION (0-100%). ALLOW DK
Residential conveyancing	WRITE IN PROPORTION (0-100%). ALLOW DK
Immigration	WRITE IN PROPORTION (0-100%). ALLOW DK
Welfare benefits and social security rights	WRITE IN PROPORTION (0-100%). ALLOW DK
Other 1	WRITE IN PROPORTION (0-100%). ALLOW DK
Other 2	WRITE IN PROPORTION (0-100%). ALLOW DK
Other 3	WRITE IN PROPORTION (0-100%). ALLOW DK
No work undertaken in last 12 months [DP: SINGLE CODE]	WRITE IN PROPORTION (0-100%). ALLOW DK

CATI CHECK – ENSURE THAT H9 SUMS TO 100%

IF FAIL CATI CHECK, PROMPT RESPONDENT WITH….'The breakdown you have provided me with sums to **[INSERT SUM OF H9] rather than 100%.** Can I just re-check the figures with you?' **THEN RE-ASK H9.**

H10 **And which of the following types of clients has the firm worked with in the last 12 months...?**
READ OUT AND MULTI CODE

Private individuals who are not legally aided	1	

Legally-aided private individuals	2	
Private sector firms or companies	3	
Public sector bodies (e.g. central or local government, CPS, NHS etc.)	4	
Overseas clients	5	
Other clients (e.g. charities, trade unions, etc.)	6	
DO NOT READ OUT: Not applicable – do not work with clients	7	

IF HAVE WORKED WITH CLIENTS (H10=NOT 7)

H11 **And thinking about the last 12 months, what proportion of your firm's total gross fee income was derived from these types of client…?**

READ OUT ALL CODES MENTIONED AT H10. ALLOW DECIMALS.

ADD IF NECESSARY: THIS CAN BE YOUR BEST ESTIMATE

Private individuals who are not legally aided	WRITE IN PROPORTION (0-100%). ALLOW DK
Legally-aided private individuals	WRITE IN PROPORTION (0-100%). ALLOW DK
Private sector firms or companies	WRITE IN PROPORTION (0-100%). ALLOW DK
Public sector bodies (e.g. central or local government, CPS, NHS, etc.)	WRITE IN PROPORTION (0-100%). ALLOW DK
Overseas clients	WRITE IN PROPORTION (0-100%). ALLOW DK
Other clients (e.g. charities, trade unions, etc.)	WRITE IN PROPORTION (0-100%). ALLOW DK

CATI CHECK – ENSURE THAT H11 SUMS TO 100%

IF FAIL CATI CHECK, PROMPT RESPONDENT WITH….**'The breakdown you have provided me with sums to** [INSERT SUM OF H11] **rather than 100%. Can I just re-check the figures with you?'**

THEN RE-ASK H11

H12 **QUESTION DELETED**

H13 **Finally, are there any other comments you would like to make regarding your 2013-2014 Professional Indemnity Insurance renewal?**

WRITE IN		
No additional comments	1	

THANK RESPONDENT AND CLOSE INTERVIEW

Name: RECORD DETAILS OF RESPONDENT WHO COMPLETED INTERVIEW	
Job title:	
Email address:	

H14 **Thank you very much for taking the time to speak to us today. Occasionally it is necessary to call people back to clarify information; may we please call you back if required?**

REASSURE IF NECESSARY: Your details will only be used by IFF to call you back regarding this particular study.

Yes	1	
No	2	

Finally I would just like to confirm that this survey has been carried out under IFF instructions and within the rules of the MRS Code of Conduct. Thank you very much for your help today.