

PRESS RELEASE

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**Solicitors' Professional Indemnity rates set to rise for smaller firms
as capacity contracts**

Most small to medium-sized solicitor firms can expect to see Professional Indemnity Insurance rates come under severe upward pressure during this year's solicitor renewal season, according to PI specialists PYV Legal, as the market continues to harden due to increased claims activity in the sector coupled with reduced capacity levels.

The 2008 renewal period saw PI rates for solicitors rise for the first time in a number of years and expectations are that this will continue come 1st October 2009, particularly for smaller partnerships, says Nick Pointon, Managing Director of PYV Legal.

“While in recent years, high levels of competition and strong investment returns have served to keep PI rates down,” says Mr Pointon, “the impact of the recession means insurers are now focused on writing profitable business. While competition remains relatively strong for the larger firms, the smaller partnerships, and in particular those in the one-to-three partner bracket, face a much tougher renewals period.”

The sector has witnessed a general rise in claims over the last twelve months, particularly in relation to conveyancing, with expectations that lender claims will rise sharply due to the sub-prime mortgage crisis. The sector has also experienced a number of major fraudulent claims recently. In addition, the ARP has been hit hard by a rise in large claims, with expectations that the pool will have to increase dramatically to meet rising demand. “Add to this the poor loss ratios experienced by insurers in the solicitors' PI sector in recent years and there is little doubt that the October renewals will be a difficult period for smaller firms,” Mr Pointon concludes.

In such a hard market environment, a robust and effective risk management strategy is essential, believes Mr Pointon. “The smaller firms must ensure that they have their house fully in order well in advance of the renewals period if they are to limit the impact of these conditions on their PI premium rates. They must undertake a stringent review of their risk management procedures to reduce any potential risk exposures, and as a result exposure to future claims, in order to meet the strict criteria requirements being set by insurers this season.”

Another consideration which will be given increased priority is the firm's ability to pay promptly this year. “Insurers will need to be satisfied that payment is guaranteed

prior to issuing formal confirmation of cover, so solicitors should already be looking to ensure they have the necessary funding in place” he says.

Mr Pointon concludes by highlighting the importance of ensuring that you have the right insurance broker in your corner. “When times are hard, you have to make sure that your broker is best placed to obtain the most competitive quotes through having access to the most appropriate range of insurers. Furthermore, you should look for a broker that is able to add the most value to your risk management strategy by offering the right experience and expertise.”

Press enquires

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