

Solicitors' PI shake-up unveiled

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Solicitors Regulation Authority (SRA) reveals plans to transform solicitors' professional indemnity with ARP transformation

The SRA board has announced its changes to the assigned risks pool (ARP), following receipt of more than 300 responses to its consultation.

The main changes are:

- In October 2011 the amount of time a firm can remain in the Assigned Risks Pool will be reduced from 12 months to six months
- From October 2012 ARP will be funded jointly by qualifying insurers and the profession, with liability for claims arising from firms who have not taken out insurance moving from the ARP to the Compensation Fund.
- The ARP will be replaced in October 2013 with a system where insurers offer a three-month extended policy period to firms who cannot obtain professional indemnity insurance for the following year. This is similar to arrangements proposed by the Law Society in its consultation response
- The single renewal date will be maintained until October 2013 to facilitate the transition

In addition

- Financial institutions will not be excluded from the minimum terms and conditions of insurance. This will be looked at following a review of the regulation of conveyancing which is due to take place in 2011. No changes will be made until the transition of ARP arrangements is completed in 2013.

SRA director of standards Richard Collins said: "The arrangements have been revised following extensive consideration of the consultation responses we received and the constructive discussions we had with stakeholders.

"It was clear from these that the biggest challenge the SRA had to address was the ARP. This is a complex issue and it is impossible to satisfy all parties, however we believe that the arrangements now approved offer the best way of ensuring client protection through a competitive insurance market."

SRA chief executive Antony Townsend added: "The changes we have made to our original proposals demonstrate our willingness to engage with the profession and other stakeholders in developing arrangements that offer the best way to ensure that client finances are protected.

" We have carefully considered the concerns raised by equality groups about the potential impact of these changes. We have been especially conscious of the impact, not only upon firms in the ARP, but also small firms who are particularly vulnerable to increases in insurance premiums. We will continue to work with equality groups to address these concerns."

A policy statement on Monday will confirm the details. Details of the original proposals can be found at: www.sra.org.uk/sra/consultations.