

<b>To:</b>	Legal Services Board	<b>Agenda Item:</b>	8
<b>Date of Meeting:</b>	26 October 2017	<b>Item:</b>	Paper (17) 71

<b>Title:</b>	<b>Changing shape of regulation – regulators’ financial protection arrangements</b>
<b>Workstream(s):</b>	Performance, evaluation and oversight
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<b>Status:</b>	Official

**Summary:**

The Board has considered the topic of switching regulators and the regulatory issues that may arise from this feature of legal services regulation over the last couple of years. Recently, the Legal Services Consumer Panel (LSCP) has expressed some concern about the variation between regulators in financial protection arrangements for consumers. This letter is at **Annex A**.

This paper provides an update on regulators’ current financial protection arrangements for consumers, summarises the LSB’s oversight of these, and presents a recommendation for responding to the Panel’s concerns.

We acknowledge that there are differences between the regulators’ financial protection arrangements, but we have not found any evidence of this causing detriment to consumers.

**Recommendation:**

The Board is invited:

- a) to agree that it is satisfied that the safeguards in place provide the LSB with assurance that consumer risk due to the regulators’ different financial protection arrangements is at a suitable level; and
- b) to respond to the Consumer Panel stating this and that we will continue to monitor the risk in this area.

**Risks and mitigations**

**Financial:** N/A

**Legal:**

**Reputational:**

	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>
<b>Resource:</b>	It is not proposed to do any additional work in this area. If we were to undertake work in this area we would need to reprioritise other work in the current business plan or undertake the work in the following business plan.

Consultation	Yes	No	Who / why?
<b>Board Members:</b>	x		Helen Phillips, on receipt of letter from LSCP Chair
<b>Consumer Panel:</b>		x	
<b>Others:</b>	N/A		

Freedom of Information Act 2000 (Fol)		
Para ref	Fol exemption and summary	Expires
Risks and mitigations: Legal	Section 42: information subject to legal professional privilege	N/A
Risks and mitigations: Reputational, Para 34, Para 42 and 43	Section 36(2)(b)(ii): information likely to inhibit the exchange of views for the purposes of deliberation	

## LEGAL SERVICES BOARD

<b>To:</b>	Legal Services Board	<b>Agenda Item:</b>	7
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### Changing shape of regulation – Regulators’ financial protection arrangements

#### Background

1. At the January 2017 Board meeting, when discussing a paper on the changing shape of regulation, the Board indicated an interest in the regulatory arrangements that provide financial protection for consumers.
2. In July 2017, the LSCP wrote to the LSB and asked us to consider the financial protection arrangements for consumers and to address what it sees as the fragmentation of these arrangements (see **Annex A**). The Panel also asked the LSB to expedite this work with a view to publishing statutory guidance to mitigate the concerns they have outlined.
3. This paper provides the Board with information on the regulatory arrangements providing financial protection for consumers, looks at recent and proposed changes and suggests a response to the Consumer Panel’s concerns.

#### Legal Services Consumer Panel concerns

4. In 2012 we asked the Consumer Panel for advice about whether the regulators’ financial protection regimes were adequate and the level of risk consumers should bear. The Panel said it was concerned with the fragmentation of the financial protection arrangements across legal services and called for regulators to consider centralised protection arrangements. It considered there to be gaps in consumer protection and thinks the different arrangements confuse consumers.
5. We responded to their advice<sup>1</sup> noting that it is for the regulators to decide if they want to develop the proposal of centralised protection arrangements.
6. In a LSCP 2013 report<sup>2</sup> and its recent letter, the Panel refers to differences in the regulators’ arrangements as gaps in consumer protection, such as:
  - a. different levels of minimum PII cover being required, even if consumers require the same service
  - b. some regulators not requiring firms to use rated insurance companies
  - c. different caps on pay outs from compensation funds and their discretionary nature
  - d. different limits to run-off cover.

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<sup>1</sup>[http://www.legalservicesboard.org.uk/news\\_publications/LSB\\_News/PDF/2013/20131023\\_Financial\\_Protection\\_Arrangements\\_LSB\\_Response\\_To\\_Consumer\\_Panel\\_Advice.pdf](http://www.legalservicesboard.org.uk/news_publications/LSB_News/PDF/2013/20131023_Financial_Protection_Arrangements_LSB_Response_To_Consumer_Panel_Advice.pdf)

<sup>2</sup><http://www.legalservicesconsumerpanel.org.uk/ourwork/Financial%20Protection/FPAs%202013%2006%2010%20final.pdf>

7. In the last year, three regulators have consulted on making changes to their financial protection arrangements. The Consumer Panel responded to all three consultations repeating its concerns from 2013 and stated that the changes “*will exacerbate the already fragmented landscape and worsen the patchy and inconsistent financial protections currently available to consumers.*”
8. Following the third consultation in May 2017, the Consumer Panel wrote to the LSB in July 2017 asking us again to look into the financial protection arrangements (see **Annex A**). The Panel has asked the LSB to expedite this work with a view to publishing statutory guidance to mitigate against the concerns they have outlined.
9. We do not agree with the Consumer Panel’s recommendation of publishing statutory guidance. This would require extensive resource and there is no evidence of consumer detriment being caused by the regulators having different financial protection arrangements. We do not therefore think we can justify prioritising this work over any other project in our current business plan.

### **Regulatory arrangements providing financial protection**

10. This section outlines the regulators’ current financial protection arrangements and highlights some high-level differences across the different front-line regulators.

#### Indirect financial protections before the event

11. When consumers use an authorised provider there are a range of protections in place. Regulatory protections include education and training standards, authorisation of individuals and entities, and codes of conduct. These are designed to ensure that authorised lawyers are competent and behave ethically with their clients’ best interests in mind. This reduces the likelihood of a consumer losing money due to their lawyer’s negligence or unethical behaviour.

#### Direct financial protections after the event

12. If a consumer does lose money due to their lawyer’s negligence or unethical behaviour there are several protections in place to ensure they get the money back:
  - a. All authorised law firms are required to hold professional indemnity insurance (PII), this will cover losses suffered due to negligent advice.
  - b. law firms that cease to practise are required by most regulators to obtain run-off insurance cover to protect their former clients against any future losses<sup>3</sup>

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<sup>3</sup> One recent exception to this requirement is where an SRA regulated firm decides to switch to another regulator which has signed a bilateral agreement with the SRA see paragraph 27 below for more information. For the LSB’s decision notice dated 28 September 2017 See: [http://www.legalservicesboard.org.uk/what\\_we\\_do/regulation/pdf/2017/SRA\\_PII\\_Switching\\_Regulators\\_Decision\\_Notice\\_FINAL.pdf](http://www.legalservicesboard.org.uk/what_we_do/regulation/pdf/2017/SRA_PII_Switching_Regulators_Decision_Notice_FINAL.pdf)

- c. If a regulated lawyer dishonestly or fraudulently misappropriates or fails to account for client money then the client who has suffered loss will be able to make a claim to the regulator's compensation arrangements.<sup>4</sup>

13. A consumer may also complain about the service they have received to the Legal Ombudsman (LeO) and receive redress. LeO can award damages of up to £50,000 where poor service has been found.

High-level comparison of front-line regulators' financial protection arrangements

14. All regulators require authorised firms and sole practitioners to have PII but their minimum terms and conditions vary. The table below explains the high-level differences (**Annex B** has a more detailed comparison):

Level of cover	The minimum level of cover ranges from £250,000 in the aggregate to £3m per claim.
Requirement to have insurance beyond the minimum level of cover	While all regulators have minimum levels of cover, the SRA, BSB, MoF and IPReg require firms to have appropriate levels of insurance for their business. The ICAEW requires a firm to notify clients if the value of the estate is likely to exceed PII cover. CILEx Regulation, the CLC and CLSB only require firms to meet their minimum terms and conditions.
Choice of insurer	The SRA, CILEx Regulation, CLC, ICAEW and IPReg require the use of participating insurers from their panels. The BSB requires barristers to use Bar Mutual Indemnity Fund (BMIF). The CLSB and MoF allow PII cover to be obtained from the open market.
Run-off cover	The CLC has automatic run-off cover of six years. The SRA <sup>5</sup> and CILEx Regulation require six years of run off cover to be bought. The ICAEW requires two years of run off cover to be bought but recommends six years. The BMIF provides limited run-off cover automatically with the option to increase it for up to six years. The CLSB recommends that six years of run-off cover is bought. IPReg and the MoF have no guidance on run-off cover.
Transparency	All regulators have information on their websites stating that their firms all must have PII. However the BSB, CILEX Regulation, CLC and ICAEW do not require their lawyers to inform clients of the level of PII they have. The SRA and CLSB require their lawyers to inform clients of their level of PII if asked by the client. IPReg and MoF require their lawyers to disclose that they have PII at engagement. <sup>6</sup> The CMA market study recommended increased transparency in this area (see para 35 below).

<sup>4</sup> Note the BSB and CLSB do not have compensation arrangements. Refer to paragraph 17

<sup>5</sup> See footnote 3, above, for a recent exemption to the SRA arrangements

<sup>6</sup> Note most regulators are consulting about requiring their firms to be transparent about their PII cover. This is part of the CMA work discussed in paragraph 35

15. Five regulators have compensation funds. Grants from the compensation funds are discretionary and cover fraudulent or dishonest misappropriations and failures to account. Maximum grants vary across the regulators from £25,000 to £2m per claim.
16. The BSB, CLSB and MoF do not have compensation funds. The MoF requires its members to have fidelity insurance which protects against financial loss suffered by a third party in consequence of any dishonest or fraudulent act or any omission by a notary in connection with his or her practice as a notary. This covers the same loss that compensation funds are set up to cover.
17. The BSB and CLSB have made a proportionate decision not to have compensation funds. Both prohibit the holding of client money in their rules. This radically reduces the risk of a client losing funds due to misappropriation or failure to account, and thus the need for a compensation fund. The LSB was content with these arrangements when approving the BSB's licensing authority application in March 2015.<sup>7</sup>

### **Current issues and LSB oversight**

18. We do not see the different financial protection arrangements of the front-line regulators as an issue that needs specific intervention by the LSB. The regulators' different financial protection arrangements were 'passported' in when the Legal Services Act 2007 (the Act) came into force. LSB approval has been required with respect to all substantive rule changes since the passing of the Act. A thorough analysis of the suitability of the arrangements was undertaken when approving them.
19. We believe there are adequate safeguards in place to assure ourselves that consumers are not being exposed to an unreasonable level of risk. We have not seen evidence to suggest that consumers are falling into any gaps in financial protection arrangements, or evidence of any consumer detriment as a result of the differences in arrangements.
20. Allowing the regulators to have different financial protection arrangements lets them ensure their rules are targeted and proportionate to the risks facing the providers they regulate. With the changing shape of regulation we may see some firms switch to the regulator that best meets their needs, and this might mean moving to a regulator with different (potentially lower) financial protection arrangements.
21. The regulators need LSB approval to change their financial protection arrangements. Regulators are not able to alter their regulatory arrangements without sufficient evidence to support any proposed change. This will guard against regulators lowering their financial protection arrangements to the detriment of consumers, to attract more providers. Further, regulators must also have regard to the Act's regulatory objectives and principles of better regulation, so all regulatory arrangements (including the levels of their minimum terms of insurance) must be appropriate and proportionate.
22. When regulators are thinking about proposing a rule change they hold open consultations to gather the opinions of interested parties. We then receive a

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<sup>7</sup> The recommendation for an order under section 69 of the Legal Services Act 2007 was approved by the Board on 11 September 2017. If approved by the Lord Chancellor this would allow the BSB to establish a compensation fund in the future should it be required.

summary of the consultation responses with the rule change application. This allows interested parties, such as the Consumer Panel, to outline any concerns they have and we will then consider them during the approval process.

23. When assessing rule change applications we look at the impacts it may have on the entire legal services regulation system, not just at the individual regulator.<sup>8</sup>

Switching regulators: run-off cover

24. As explained in the changing shape of regulation Board paper in January 2017 legal services providers have some choice by whom they are authorised. LSB analysis found that switching levels are low and that run-off cover may act as a barrier to switching. Some regulators are introducing reforms to address this.
25. We are monitoring switching and will be able to identify and analyse any emerging trends and associated risks. We have required the regulators, under section 55, to report to us on switching levels in December 2017.
26. Firms regulated by the CLC no longer have to pay a run-off cover premium. When a CLC firm closes or switches to another regulator their minimum terms and conditions provide six years of run-off cover free of charge. CLC firms moved onto the new minimum terms and conditions in June 2017.
27. On 28 September 2017 we approved the SRA rule change application with the effect of waiving run-off cover requirements for entities who move to another legal services regulator, provided that the other approved regulator has signed a bilateral agreement with the SRA. The SRA also made it clear that the new regulator would be responsible for indemnity arrangements once the firm is regulated by them, including for historic work<sup>9</sup>.
28. In the SRA's application, it referred to consultation discussions for this rule change and the concerns that were raised about consumer protection<sup>10</sup>. The SRA acknowledged that if a firm switches regulators, a consumer may face the prospect of a different level of protection to that they had when they originally chose the firm.<sup>11</sup>
29. The SRA explained to the LSB that the bilateral agreement with each approved regulator is intended to mitigate any risk of consumer detriment that may arise from a firm being able to switch regulators without securing run-off cover.<sup>12</sup>
30. The LSB acknowledged this in its Decision Notice<sup>13</sup> and further noted that other regulatory assurances are in place to protect consumers, which are mandated by the LSA.<sup>14</sup> Based on these assurances the LSB made a carefully balanced judgement against the refusal criteria in paragraph 25(3) to Schedule 4 of the Act. The LSB concluded that there was insufficient reason to refuse the

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<sup>8</sup> An example of this was the recent SRA run-off cover rule change discussed below.

<sup>9</sup> See the SRA's rule change application:

[http://www.legalservicesboard.org.uk/what\\_we\\_do/regulation/pdf/2017/20170717\\_LSB\\_application\\_switching\\_regulators\\_FINAL\\_Clean\\_2017\\_07\\_11.pdf](http://www.legalservicesboard.org.uk/what_we_do/regulation/pdf/2017/20170717_LSB_application_switching_regulators_FINAL_Clean_2017_07_11.pdf), at page 3

<sup>10</sup> See footnote 9, at page 4.

<sup>11</sup> See footnote 9, at page 3

<sup>12</sup> See the letter from the SRA to the LSB dated 15 September 2017, at page 1

<sup>13</sup> See the Decision Notice (link at footnote 3 above) paragraph 5

<sup>14</sup> See the Decision Notice (link at footnote 3 above) paragraph 12

application solely on the basis of potential harm to consumers, when there is no evidence that the change would lead to significant consumer risk.<sup>15</sup>

#### SRA planned changes

31. The SRA is re-writing its handbook and planning a number of changes that will affect its financial protection arrangements. We will proactively engage with them on their handbook review and any rule changes they submit in relation to it.
32. One major change proposed by the handbook rewrite would permit solicitors to provide unreserved legal activities to the public from non-regulated businesses. These solicitors would not have minimum PII requirements and their clients could not access the SRA compensation fund. This would vary the financial protections consumers get when using solicitors. Currently solicitors must work out of firms which have at least £2 million PII cover per claim, and access to the SRA compensation fund.
33. The SRA acknowledges that the same protections would not be in place for these solicitors when compared to SRA firms, but state that there are more protections in place than non-regulated lawyers who can currently offer unreserved legal activities to consumers. The protections would include education & training; individual authorisation requirements; and individual standards (codes & rules).
34. [REDACTED]

#### CMA Market Study

35. The CMA's market study on legal services contains several recommendations for the front line regulators including the recommendation to help consumers to understand what redress is available and the regulatory status of their provider.
36. The SRA, BSB, MoF and CILEx Regulation action plans include plans to consult on requiring firms to publish the level of PII cover they have. In its action plan the CLC said that it already requires practices to signpost to the compensation fund and that information on PII is already provided on 'customer journeys and expectations' on Legal Choices and on practices' websites. The CLSB action plan states that information about redress is on its website and that it will ensure it continues to be provided in client care letters. IPReg's action plan states that 'Attorneys must have a complaints handling process and must inform clients of their right to complain to the Legal Ombudsman (Rule 12)'. IPReg is silent on PII and the ICAEW is silent on redress.

#### **Discussion**

37. As stated above, we are confident that we have the appropriate oversight and safeguards in place to assure ourselves that consumers are not experiencing additional detriment due to differences between the front-line regulators' financial protection arrangements. However the Consumer Panel has expressed concerns on a number of occasions since 2013 about this aspect of legal services regulation. This could pose a reputational risk to the LSB.
38. The Consumer Panel has asked us to publish statutory guidance to mitigate against the concerns they have outlined in their letter. We use statutory guidance

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<sup>15</sup>See the Decision Notice (link at footnote 3 above) paragraph 13



to encourage regulators to make changes to their arrangements to meet minimum standards. In this situation, we do not believe there is sufficient evidence to suggest changes are required. Furthermore, it would be resource intensive to draft the guidance and the help of insurance experts would be needed. In our view, we would not propose to take forward the Consumer Panel's suggestion in the absence of specific evidence of consumer detriment caused by variation in the regulators' arrangements.

- 39. Provided there is a minimum level of protection for consumers, there may be some benefits for providers in being able to choose differing levels of financial protection arrangements. Further, simplifying the current system to a single set of minimum terms of insurance is unlikely to be proportionate.
- 40. However, the Board may wish to reflect on the relative merits of 'simplification and consistency', against 'risk based regulation with competition between regulators'. Simple and consistent arrangements across the regulators would be easier for consumers to understand, however the levels of cover might not be proportionate for all types of lawyers. Risk based arrangements allow lawyers to have more proportionate cover for the type of work they are undertaking, encouraging innovation and increasing competition.

**Proposal**

- 41. Our Regulatory Approach (June 2017) sets out the range of powers available to the LSB and outlines when they should be used. Our analysis of the available evidence suggests that there is not currently a regulatory risk to consumers' interests due to differences between the regulators' financial protection arrangements. We therefore propose to continue to monitor and collect evidence to identify any risks that may develop in this area.

42. [Redacted]

43. [Redacted]

- [Redacted]

- [Redacted]

- 44. A statement of policy will not put any additional safeguards in place. It will simply explain the LSB's approach.

**Conclusion**

- 45. The Board is invited to agree that it is satisfied that the safeguards in place provide the LSB with assurance that consumer risk due to the regulators different financial protection arrangements is at a suitable level and respond to the Consumer Panel stating this and that we will continue to monitor the risk in this area.

**ANNEX A**

**Letter from LSCP – 10 July 2017**

Dr Helen Phillips  
Interim Chair  
Legal Services Board  
One Kemble Street  
London  
WC2B 4AN

10 July 2017

*Dear Helen,*

The Solicitors Regulation Authority (SRA) attended a Legal Services Consumer Panel (Panel) meeting on 28 June to discuss their Professional Indemnity Insurance (PII) and Compensation Fund requirements. It was an informative discussion which highlighted the need to balance responsibilities, risk and consumer protection.

The SRA's presentation has however highlighted an ongoing concern about the fragmentation of financial protection arrangements. The Panel first raised this as a concern in 2013 when we published a policy report which illustrated variable financial protection arrangements across the sector.

In the last year, we have responded to three different front line regulators, each seeking to amend their PII and/or their Compensation Fund arrangements. In each response, we have reiterated our original worry, and gone further to warn that fragmentation was worsening because frontline regulators were increasingly proposing compartmentalised changes to cover their segment of the regulatory landscape. We have raised concerns about the lack of oversight or holistic overview around discrete regulatory changes. In our view this is bound to exacerbate consumer confusion and gaps in protection. In raising these concerns with front line regulators they have made it clear that the cohesiveness of the overall arrangements is an oversight regulatory matter, as individual regulators only have jurisdiction over their own remit.

You may recall that in 2013 we called on the Legal Services Board (LSB) and others to consider a centralised protection arrangement for all regulated legal advice providers. In light of recent developments we would again ask the LSB to lead a feasibility study into the viability of such a single scheme. We know that the LSB is undertaking a mapping exercise of financial protection arrangements across legal services. We welcome your review, but we are concerned about its timing and the priority given to this work considering the advances made by front line regulators in this area. More importantly, the output of the LSB's review is currently unclear to us.

We would ask the LSB to expedite this work with a view to publishing statutory guidance to mitigate against the concerns we have outlined above.

As you know, in the legal services market, consumers may be at risk of significant financial loss as a consequence of errors or omissions, professional negligence and breaches of professional duty. A robust financial protection arrangement safeguards legal services providers and consumers against the eventuality of such a loss. More importantly, financial protection arrangements fosters public confidence in regulation. This confidence would come under threat in the event of any failure which revealed gaps in consumer protection. In a changing landscape with growing external uncertainties, more regulatory flexibility, new models of working, and diverse partnerships, the risks are as significant , and the need to maintain public confidence more acute than ever.

I look forward to your response.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jane', with a horizontal line underneath.

Dr Jane Martin  
Chair, Legal Services Consumer Panel.

ANNEX B

PII and compensation fund table

	BSB	CILEx Reg	CLC	CLSB	ICAEW	IPReg	MoF	SRA
PII requirements	BSB authorised person or a manager of a BSB entity must have insurance in place which meets the minimum terms and level specified by the BSB  Barristers must have adequate insurance (taking into account the nature of your practice) which covers all the legal services supplied to the public and must be a member of BMIF <sup>16</sup>	Entities are required to take out and maintain PII in accordance with the Professional Indemnity Insurance Rules	When providing regulated services entities must have professional indemnity insurance in place at all times, which complies with the minimum requirements of Article 3 IMD and the CLC's PII Policy Wording	Costs Lawyers must have in place a level of insurance commensurate with the financial risk of the work they are undertaking.	Members and firms have to comply with ICAEW's PII Regulations. The PII Regulations give details of the amount of insurance required, insurers and the policy wording insurers must use.	Each registered person must ensure that their Professional Indemnity Insurance is commensurate with the risks at large arising from the extent and size of their practice	Notaries are required to hold professional indemnity insurance and fidelity insurance cover. The requirements are contained in the Practising Certificates Rules.	Solicitors must assess and purchase the level of professional indemnity insurance appropriate for their current and past practice, taking into account potential levels of claim by clients and others and any alternative arrangements the solicitor or their client may make.  All firms must have a valid PII policy in place
Minimum cover	£500,000 per claim	£2m per claim <sup>17</sup>	£2m per claim	£100,000 for any one claim and to include loss of documents <sup>18</sup>	£500,000 per claim <sup>19</sup>	£250,000 in the aggregate <sup>20</sup>	£1m in the aggregate	£2m-£3m per claim
Run-off cover	£0.5m. Option to increase for up to six years to previous level of cover if higher	Six years conditional on payment of premium  Must have six years run-off cover at cessation. <sup>21</sup>	Six years run-off cover at no additional cost at point of closure, subject to a £2m cap. <sup>22</sup>	Six years recommended	Two years compulsory, but 'best endeavours' applies to secure six years cover	No guidance	No guidance	Six years
Excess	£350 for professional misconduct / wasted costs applications	£3k per partner with a 15 partner cap	Max £3.5k or % of fees. Firms with fees	None specified	Not more than £30k x no of principals but no restriction for firms	£500 - £7.5k per claim. Exceptions apply	None specified	None specified

<sup>16</sup> A self-employed barrister must be a member of BMIF unless:

- a pupil who is covered by pupil supervisor's insurance; or
- called to the Bar under Rule Q98, in which case must either be insured with BMIF or be covered by insurance against claims for professional negligence arising out of the supply of your services in England and Wales in such amount and on such terms as are currently required by the BSB

<sup>17</sup> <http://www.cilexregulation.org.uk/entity-regulation/professional-indemnity-insurance>

<sup>18</sup> [http://www.clsb.info/wp-content/uploads/2014/06/Practising\\_Rules\\_9\\_April\\_2014.pdf](http://www.clsb.info/wp-content/uploads/2014/06/Practising_Rules_9_April_2014.pdf)

<sup>19</sup> <http://www.icaew.com/-/media/corporate/files/members/regulations-standards-and-guidance/professional-indemnity-insurance/professional-indemnity-insurance-regulations.ashx>

<sup>20</sup> <http://ipreg.org.uk/wp-content/files/2016/06/Minimum-Terms-and-Conditions-2016.pdf>

<sup>21</sup> [http://www.cilexregulation.org.uk/~media/pdf\\_documents/cilex-regulation/resources/pii-minimum-wording.pdf?la=en](http://www.cilexregulation.org.uk/~media/pdf_documents/cilex-regulation/resources/pii-minimum-wording.pdf?la=en)

<sup>22</sup> <http://www.conveyancer.org.uk/CLCSite/media/Regulation/20160701-CLC-PII-Policy-Terms.pdf>

			>£1m can apply to increase excess		with more than 50 principals			
Participating insurers	Only regulator to stipulate use of a single insurer (BMIF) by some of those it regulates (self-employed barristers)  BMIF optional for entities	7 qualifying insurers <sup>23</sup>	5 qualifying insurers <sup>24</sup>	Open market	Compulsory qualifying insurers <sup>25</sup>	3 qualifying insurers. <sup>26</sup>	Open market	Compulsory Participating insurers 41 participating insurers as of 20/06 <sup>27</sup>
Compensation fund	<b>No compensation fund</b>  Prohibition on individuals or entities handling client money (rules rC73-75 in BSB Handbook); limited likelihood of other risks materialising which could result in a claim.	<b>CILEx Compensation Fund<sup>28</sup></b>  Fees based on turnover, area of law, and how firms hold client money (client account/escrow/none held).  Range of cost from £300-£6,000 <sup>29</sup>  Max grant of £500,000 <sup>30</sup>	<b>CLC Compensation Fund</b>  For entity based on turnover banding.  £500 minimum then 0.4-0.2% for earnings over £100,000 <sup>31</sup>	<b>No compensation fund</b>  Prohibition on holding client money - Rule 3.6 in Code of Conduct.	<b>ICAEW probate compensation scheme<sup>32</sup></b>  Will not make grants to any charity or trading business which has an annual turnover exceeding £1m.  Does not cover professional negligence.  Only covers the authorised activity. £500,000 limit per estate, £5,000,000 per year.	<b>IPReg Compensation scheme</b>  Maximum grant £25,000	<b>MoF – Fidelity insurance</b>	<b>Solicitors' Compensation Fund.</b> Firms: £548  Maximum grant £2m <sup>33</sup>

<sup>23</sup> [http://www.cilexregulation.org.uk/~media/pdf\\_documents/cilex-regulation/insurers-list/list\\_of\\_qualifying\\_insurers\\_2016.pdf?la=en](http://www.cilexregulation.org.uk/~media/pdf_documents/cilex-regulation/insurers-list/list_of_qualifying_insurers_2016.pdf?la=en)

<sup>24</sup> <http://www.conveyancer.org.uk/Regulation-by-CLC/Professional-Indemnity-Insurance.aspx>

<sup>25</sup> <http://www.icaew.com/-/media/corporate/files/members/practice-centre/professional-indemnity-insurance-pii/list-of-participating-insurers.ashx?la=en>

<sup>26</sup> <http://ipreg.org.uk/wp-content/files/2012/08/IPReg-Code-of-Conduct-April-2016-website.pdf>

<sup>27</sup> [https://www.sra.org.uk/solicitors/code-of-conduct/professional-indemnity/insurers.page#Collection\\_1](https://www.sra.org.uk/solicitors/code-of-conduct/professional-indemnity/insurers.page#Collection_1)

<sup>28</sup> [http://www.cilexregulation.org.uk/~media/pdf\\_documents/cilex-regulation/rules/cilex-compensation-fund-rules.pdf?la=en](http://www.cilexregulation.org.uk/~media/pdf_documents/cilex-regulation/rules/cilex-compensation-fund-rules.pdf?la=en)

<sup>29</sup> <http://www.cilexregulation.org.uk/entity-regulation/applying-to-be-regulated/fees/compensation-fund-fees>

<sup>30</sup> <http://www.cilexregulation.org.uk/consumers/cilex-authorized-entities/compensation-fund>

<sup>31</sup> [http://www.conveyancer.org.uk/CLCSite/media/PDFs/The-CLC-Fees-Framework-2016-AMENDED\\_2.pdf](http://www.conveyancer.org.uk/CLCSite/media/PDFs/The-CLC-Fees-Framework-2016-AMENDED_2.pdf)

<sup>32</sup> <https://www.icaew.com/-/media/corporate/files/technical/legal-and-regulatory/legal-services/17-probate-compensation-scheme-regulations.ashx>

<sup>33</sup> <http://www.sra.org.uk/solicitors/handbook/v5/compfund/content.page>