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Chris Kenny
Chief Executive
Legal Services Board
Victoria House
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23 July 2010

Dear Chris

Professional Indemnity Insurance: SRA Draft Rules

I refer to Russell Wallman's letter to you dated 13 July 2010 which was copied to Antony Townsend.

For the reasons set out in our application for approval of the Solicitors' Indemnity Insurance Rules ("the Rules") and related documents, the SRA Board believes that it is right in principle that cover for defence costs related to disciplinary proceedings should not be part of the compulsory Minimum Terms and Conditions (MTC) of cover. Costs can be very substantial and tend to exaggerate losses on firms which already have a problem with issues like mortgage fraud followed by disciplinary proceedings. Russell does not argue against the principle but expresses concern at the lack of full consultation and we accept that there were deficiencies in the consultation process this year regarding some of the proposed changes to the Rules and MTC.

It is fair to say that the absence of approved MTC for 2010 is already causing problems as insurers appear to be holding back on providing quotes until they are clear as to the final MTC. Russell is fully alert to the problems associated with further delays. If I understand Russell correctly he is suggesting that the provision regarding defence costs is reinstated to allow us time to consult more fully before coming to a final decision regarding 2010/11. We do not support this approach as it would not provide the necessary timely certainty as regards the 2010/11 MTC.

If Russell is suggesting that we abandon the proposed change until October 2011, at the earliest, then we cannot support this suggestion. We anticipate that this year's renewal will be the most difficult yet for the profession. The proposed change is right in principle and will, we believe, ease some of the stress that has built up in the market. Notwithstanding the deficiencies in the consultation process we still believe that the change approved by the SRA Board strikes the right balance between scope of cover, public protection and the need for a viable market for solicitors' compulsory professional indemnity insurance.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. Barrass', with a long horizontal flourish extending to the right.

Samantha Barrass
Director Corporate Regulation Project

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Cc Russell Wallman
Antony Townsend