



Completing your Proposal Form: A practical guide



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Introduction & Pre-planning

This guidance is intended to be read alongside Lockton's Solicitors Professional Indemnity Proposal Form.

It contains guidance to accompany key questions in the Proposal Form, to ensure that you:

- Get it right, first time
- Completing the proposal form is as quick and painless as possible
- Present your firm as effectively as possible to insurers

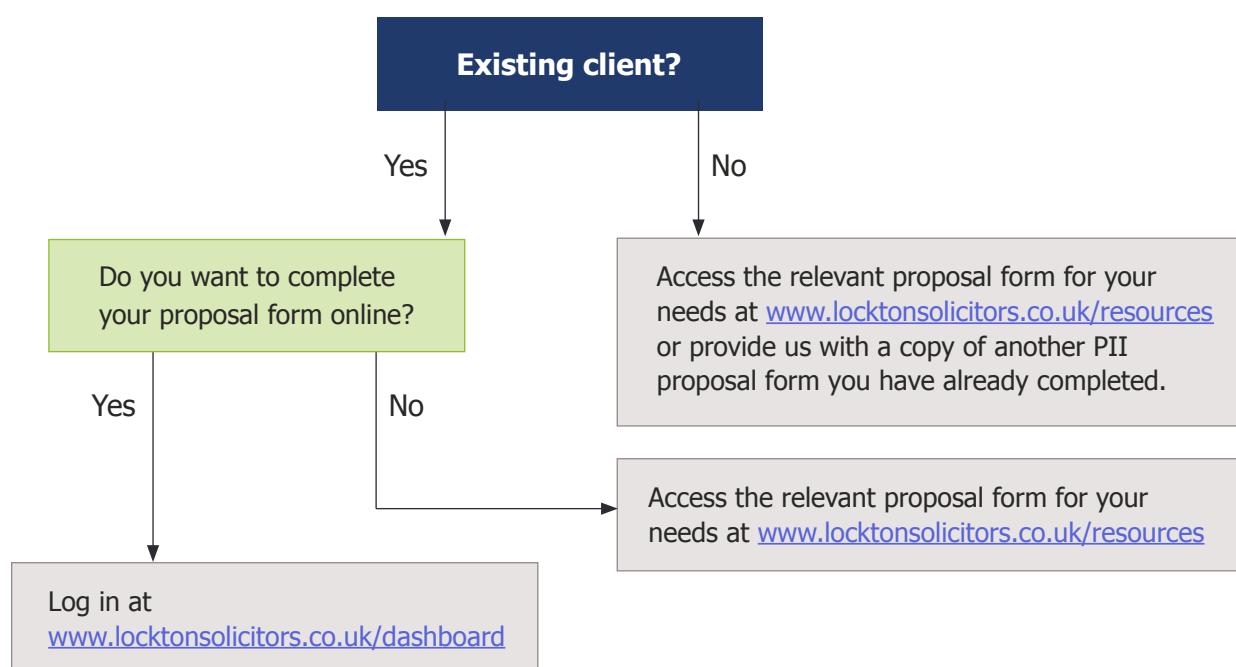
Remember that your completed Proposal Form is your shop window for insurers. Start planning early, and ensure that you return the form as early as possible, accurately and comprehensively completed. Ensure that you answer ALL required questions, and disclose ALL material information.

PDF or Online form?

If you are an existing client, you may have been presented with the option of completing our pre-populated online proposal form. Our online form is designed to make the renewal process quicker and simpler for you. If you have not used this before, we recommend that you read our section 'Getting the best from your Online Proposal Form' before starting your form (see page 5, or read it by clicking on the HELP menu once you have logged in to your online form).

The online form has built-in explanatory notes about key sections of the form – but you can also read these in this guidance note.

Your Professional Indemnity Renewal Process



Important Changes

The Insurance Act 2015

The new Insurance Act comes into effect from 12th August 2016, and this has implications for you, and how you complete your proposal form.

What you need to know:

- Insurers have a greater obligation to ask the relevant questions.

As a result, there are some more questions in your proposal form than previously

- You now have a 'duty of fair presentation of risk'. This is an obligation to disclose every material matter that you know, or ought to know. At a minimum you should give sufficient information to enable a prudent insurer to decide whether it requires to ask you for more information.

As a result:

You should be able to evidence that you have taken all necessary steps to identify potentially relevant information;

You may receive more additional requests for information from insurers before obtaining terms. The more information that you can provide up-front, the more quickly you are likely to receive terms.

- Some insurers may seek re-imbursement from practices that fail to disclose relevant facts.

For more information, read our [article on the Insurance Act](#) or contact your Lockton Account Manager.

New Proposal form questions

There are two new sections in the Proposal form this year, in part in response to the new Insurance Act.

- Section 11 Tax Questionnaire (only applies to firms undertaking tax advice)
Section 13 Information Security & Fraud Prevention (applies to all firms)

More information on these new sections can be found in the Question by Question Guide below.

Getting the best from your Online Proposal Form

For best performance, we recommend viewing the proposal form on a modern, standards-compliant browser such as [Firefox](#), [Chrome](#), [IE 11](#), [Safari](#) or [Microsoft Edge](#). If your IT department has not restricted software downloads you can click on the links below to download your preferred browser.

Please note: earlier versions of browsers (such as Internet Explorer 8 and below are insecure, and therefore are NOT supported).

To check which browser you are using, simply click on [this browser test](#).

Navigating the Form

Navigate the form using your mouse or the TAB key.

Do not use up/down arrows for web-based forms, as web-browsers work differently from Microsoft Word or Excel documents, and can change the values of the field you are in.

Before Starting your Form

We recommend viewing and completing the form online, but we understand that you may prefer to work from a printed copy. If you do, please use the Print function on the online form, and do not print out our PDF form.

Read through the form before starting to complete it, particularly if you may require input from other people in your firm or third parties (eg your accountant). You can allocate questions to colleagues in your firm to answer on your behalf – using the allocate a question function.

Printing

To print the form select the Print option (from the menu at the top RHS of the screen). You can either print 'ALL Sections' or 'Applicable Sections only'. As the online proposal form is responsive, it only shows fields relevant to the information contained in the form at that moment. If you are planning to work from a print-out in the first instance, we advise selecting the 'ALL Sections' print option. Please note, there will still be some fields seeking additional information which still do not show – and we do recommend working from the live online form as much as possible for best results.

Where to start

If possible, start by completing the financial information and work-splits (Questions 5.1 and 6.1) as your answers here determine what other sections of the form you will be required to complete.

Help Text and Definitions

Use the in-form help text and definitions. Simply hover your mouse over the icon anywhere in the form.

For More Information

Watch our short [webinar](#) on how to use the proposal form, or download our [user guide](#).



Completing your Online Proposal Form

We recommend reading through the proposal form quickly before you start, to identify which bits of information may take longer to collate than others.

Delays can be caused when colleagues who are required to provide key data are busy or away from the office for a period. Allocate responsibility for relevant sections, along with a timetable for return of data to you.

tip

Have a copy of last year's proposal form in front of you before you start, for ease of reference.

The Practice

Please ensure that your firm is designated correctly, taking account of any changes in status.

Ensure that any trading styles, service, trustee nominee companies are listed and up to date. Where applicable, please provide the SRA number and post-code for such entities. This is to ensure that the SRA has an accurate list, and to ensure cover is in place.

tip

If your practice is a traditional partnership, but any of the practice's trustee/nominee companies are deemed to be a 'relevant recognised body', the practice is required to have Primary cover of not less than £3m, rather than the usual £2m.

A Relevant Recognised Body is defined as:

- *An unlimited company, or an overseas company whose members' liability for the company's debts is not limited by its constitution or by the law of its country of incorporation; or*
- *A nominee company only, holding assets for clients of another practice; and*
 - (i) it can act only as an agent for the other practice;*
 - (ii) all the individuals who are principals of the recognised body are also principals of the other practice; and*
 - (iii) any fee or other income arising out of the recognised body accrues to the benefit of the other practice.*

Contact Details

Please provide a direct (ie – not generic, such as info@/ enquiries@) email address wherever possible, and a direct dial telephone number. This helps us address any important queries with you as promptly as possible. Ideally your email address should not be a Hotmail/gmail or other free web-based email service, as these are not so secure, and do not comply with the Data Protection Act.

Double check that we have the most up to date website, telephone and email addresses – and please notify us of any changes to these details through the course of the year.

Mergers & Acquisitions

If you are not sure of the details of all relevant Prior Practices/merged practices – allow sufficient time to obtain this information. Previous proposal forms should contain the relevant information.

Sole Practitioners

Check with your HR function, or email all staff to enquire whether any member of staff (including consultants) has been a sole practitioner in the previous 6 years

Changes in Firm Structure

In addition to changes in the corporate structure, include additions or loss of significant teams or a particular area of work.

We have guidance on mergers and acquisitions and ABS applications if you are considering such changes in the near future.

Principals & Staff

tip

For firms with a large number of personnel, we understand that this part of the form is very time-consuming to complete. If you provide us with your staff details we will ensure that these details are pre-populated in future.

Principals: List all Partners (including salaried), or Members (if LLP), or Directors (if Incorporated company)

Solicitor details: the details sought in relation to all solicitor staff in the practice can most easily be provided by means of a separate spreadsheet. This information should be available from your HR team, and we would recommend that a database is created and maintained to provide this information for future years.

Practising Certificate & Regulatory Issues

HR records should contain details of any regulatory issues or sanctions for employees. An annual self certification by employees will assist ensure that this information is up to date.

Your breaches record, which is a regulatory requirement, should provide the required information regarding breaches reported to the SRA. We recommend that, where these are detailed, you state the nature of the breach, and whether it was a minor or a major breach. It would also be useful to reference any corrective action that had been taken. This could be done by cross-referencing any risk management submission you may wish to append.

Financial Information & Fees

Financial Year

The current financial year is the ongoing financial year, not the most recently completed financial year. If you are completing the proposal form in July 2016, and your Practice Financial Year runs from 1st October to 30th September, the 'last completed year' is the year ending 30 September 2015, and the current Financial Year will conclude on 30th September 2016.

Fee income split

For each year in question, you should provide your fee income, apportioned by work:

- Undertaken in the UK, for UK based clients
- Undertaken in the UK for USA/Canadian-based clients
- Undertaken in the UK for clients anywhere else in the world other than UK, USA or Canada
- Undertaken overseas for any clients

Where there may be Fee Earners working in a number of locations on a matter, it is the office location of the engagement that would normally determine your response.

tip

If your financial year end falls close to your PII renewal, try to ensure that your accountants are aware of the requirement to provide complete information by a particular date. Some firms have preferred to arrange their renewal date to better align with their financial year end. If this is something you would like to consider, contact your Lockton Account Manager for advice on the best option for you.

Financial Stability

Financial Stability of law firms is a significant concern for both the SRA and Insurers. Insurers want to see 2 years full, audited, accounts, or, where not available, up to date management accounts including profit and loss account and balance sheet.

The question regarding advice or recommendations sought on the financial structure of the firm is not a 'trap'! Firms that are taking advice, and seeking to ensure that they are best placed to meet financial and regulatory requirements, are likely to be more favourably viewed by insurers.

tip

If your completed proposal form shows:

- A disparity between Gross fees and partner renumeration
- High levels of unbilled WIP/ 90+days outstanding billed fees
- Significant overdraft/loan exposure

It is advisable to provide additional information which can explain the circumstances to insurers. On paper, this type of question can raise a flag, but, more often than not there is a reasonable explanation.



Areas of Practice

Your practice's work split is a significant determiner of the firm's risk profile, and the appetite of certain insurers to consider quoting for the practice's PII cover. It is therefore important to allocate work to work types as accurately as possible.

Where your work does not fit into any of the specified categories, you should include it in the 'All other Contentious'/'All other Non-contentious' work categories. Provide some explanatory detail as to what this other work is, to ensure that it is not incorrectly rated.

Work-type Risk Profile Guide

| | |
|----------------|---|
| Low | Adjudication / Arbitration / Mediation Agency Advocacy Childrens Work, Mental Health Tribunal Criminal Debt Collection (Small) Expert Witness / Lecturing Work Immigration Loans and Affidavits and Notary Public Offices & Appointments Parliamentary Agency |
| Low/Medium | All Other Non-Litigious Work |
| Medium | Debt Collection (Large) Defendant Litigation (Insurers) Employment (Litigious) Employment (Non-Litigious) Matrimonial Personal Injury - Defendant Town and Country Planning |
| Medium/High | Landlord/Tenant (Litigious) Landlord/Tenant (Non-Litigious) Personal Injury - Claimant |
| High | All Other Litigious Work Commercial Litigation Estate Agency, Property Valuation Financial Advice and Services Financial Advice and Services Intellectual Property including Patent, Marine Litigation Probate and Estate Administration Trusts Wills and Tax Planning |
| High/Very High | Commercial - Excluding Public Commercial - Public Companies Conveyancing - Commercial Conveyancing - Residential |

Conveyancing

You only need to complete this question if your practice has undertaken any conveyancing work in the last 10 years. Failing to complete parts of this question because the information is difficult to obtain is likely to prejudice your application – particularly as these questions relate to the highest risk work from an insurance perspective.

Much of the information required here is likely to have been substantially completed in previous years, and simply require updating for the current year. If you do not have a copy of your conveyancing questionnaire responses from last year, and were a Lockton client at that time, please contact your account manager who will be able to provide you with that information.

If there are questions for which you do not have any information collated already, we would suggest:

- Obtain declarations from fee-earners in the conveyancing team responding to the questions in the conveyancing questionnaire – while ensuring that you gather the information in such a way as to avoid double counting/duplication of responses.
- Interrogate your file management system/Client Relationship Management system -eg:
 - Identifying fees earned sorted by client - to assist identify high %s of fees generated by one client or development;
 - Your accounts department should be able to identify your highest annual fee income from conveyancing in the last 10 years
 - Running reports on property address details –which can then be sorted by postcode in an Excel spreadsheet –may assist identify transactions relating to the same building or development
 - Searching by lender client – with a particular focus on sub-prime lenders such as Birmingham Mid-shires, Northern Rock, Mortgage Express, Kensington Home Loans.

If you are still unsure of which lenders might be considered sub-prime, the Netsolicitors website offers a [list of lenders that offered 'sub prime' mortgages](#).

tip

Pay particular attention to providing a detailed response regarding the safeguards you have in place relating to reporting to lenders. CML reporting failures account for around 25% of all claims against the profession currently – and if you can evidence robust and meaningful systems and procedures, this will assist us in differentiating your practice from others undertaking conveyancing work.

Personal Injury

Failing to complete parts of this question (where applicable to your Practice) because the information is difficult to obtain is likely to prejudice your application or delay your obtaining terms from an insurer.

Many of the questions are not as onerous as they first appear, as several ask for approximate figures rather than a microscopic analysis. If your systems do not enable you to search against type of personal injury case, obtaining declarations in response to the questions being asked of the relevant team may provide sufficient detail.

The Jackson Reforms have flagged concerns for insurers. Your response to the question re changes made following the Jackson Reforms should ideally address some of the following concerns:

- Where claimants decide not to take up ATE insurance, and lose their case, there is a greater likelihood of claims against the solicitor alleging poor advice, failure to advise of the risks, or poor handling of the case.
- Pressure on fees resulting in less well qualified staff undertaking a greater percentage of work

Litigation

Failing to complete parts of this question (where applicable to your Practice) because the information is difficult to obtain is likely to prejudice your application or delay your obtaining terms from an insurer.

Insurers are concerned about the potential quantum of any claim – and therefore the claim/settlement value is of particular relevance in determining the risk profile of your litigation practice.

tip

Missed Critical Dates and Undersettlement allegations are the most common sources of claim in litigation work (including personal injury work). If you undertake a significant percentage of litigation work, we would recommend including information about your systems and procedures for mitigating these risks.

Corporate/Commercial

Failing to complete parts of this question (where applicable to your Practice) because the information is difficult to obtain is likely to prejudice your application or delay your obtaining terms from an insurer.

Information Security & Fraud Prevention

Insurers are seeing increasing numbers of (frequently high value) claims arising from information security breaches and frauds. As a result, they are seeking a greater level of comfort regarding the systems and protections that firms have in place to address these risks.

For more information on some of the key risks that insurers wish to see you addressing, see the [information security and cyber alerts](#) on our website.

Risk Management

Risk Management is a key differentiator for insurers – and is reviewed in detail. Firms that provide a succinct yet comprehensive description of their risk management strategies and can demonstrate their effectiveness in practice, will be viewed more favourably by insurers and are more likely to receive preferential terms.

The questions focus on:

- Client & Transaction vetting procedures
- Scoping & the Letter of Engagement
- Managing Critical Dates (*this section is particularly relevant for firms undertaking litigious work*)
- Undertakings
- Outsourcing arrangements
- Supervision
- File Close and File audit procedures

tip

Firms that have been identified as 'higher risk' in terms of the type of work undertaken, size of the firm, or claims experience should consider submitting a supplementary Risk Management Submission – a [template](#) (and accompanying [guidance note](#)) for which can be found on the guidance pages of our client portal.

If you are uncertain as to your risk categorisation, your Mid-Term Review report should provide an indication.

Claims

OFR requires that you maintain a database of all breaches, claims and complaints. This should provide the information regarding the number of claims and circumstances – as should the latest claims report from your insurers.

Ensure that any potential matters that have not been notified, are notified prior to renewal, and ensure that they are listed on your proposal form. Conversely, if you have concerns that a matter is showing as 'open' when it has been closed, or you consider a reserve to be unjustified – get in touch at an early stage in order that this can be reviewed with you prior to submitting your proposal form.

Insurers require an up to date record of the practice's 10 year's claims history (including any prior practices). Where Lockton has been the practice's broker for the duration, we can obtain this on your behalf.

Where the practice or its prior practices have been insured with a variety of insurers and/or brokers during the period, contact your Lockton Account Executive to discuss how best to provide the claims information.

tip

You can download a [Letter of Authority](#) from the Professional Indemnity page of our solicitors website to enable us to obtain the relevant claims experiences from insurance placed by other brokers in the past.

It can often take some time to obtain a full claims experience, particularly where multiple insurers/previous entities are involved. Please do not leave it to the last minute to authorise us to obtain claims reports on your behalf, where required. We would recommend commencing this process in June where possible.

Professional Indemnity Requirements

Even if you are a Lockton client, if you wish quotations for alternative Limits of Indemnity, or alternative levels of 'excess', please complete this section

ARP/Problems with renewal

'Has any Qualifying Insurer refused to offer your Practice or Prior Practice terms for your PII?' If you have ever had a 'no quote' from an insurer/an insurer has simply failed to respond with terms, this is not a refusal to offer terms. Only where an insurer has explicitly refused to insure the practice does this count as a 'refusal' for the purposes of this question.

Pre Submission Checks

- Are all the applicable sections of the Proposal form completed? Have they been checked?
- Don't forget to download the
 - Financial services questionnaire or
 - Overseas offices questionnaire, if applicable.
- Have you enclosed all relevant documentation required to support the submission?
- Have you disclosed all relevant facts? Have you made enquiries of the relevant personnel to support that?
- Have you adequately articulated the risk management controls and systems you have in place?
- Is the submission clear, legible and well presented?

Contact Us

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