

Case studies

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During the professional indemnity insurance renewal period, Firm A received a quote from its current insurer which was deemed too expensive. It looked for alternative cover, a process which took it into the Extended Policy Period (EPP).

Firm A notified us to explain it was continuing to seek insurance. We thanked them for getting in touch and reminded them that if they did not get cover in the first 30 days, they should notify us as they would be entering the Cessation Period (CP). We outlined the significance of entering the CP and all that might happen.

Firm A, while continuing to seek a more competitive quote, entered the CP and kept us informed of its position, saying they were confident of getting insurance. We outlined that the firm could now only deal with existing customers for the 60 days of the CP unless new cover was found. It must not take on new clients, nor accept new instructions from existing clients.

We explained how, if no new policy was secured, the firm would have to close at the end of the CP. It should therefore be considering contingency arrangements to minimise the impact on the firm and its clients. We also outlined how if the firm did close, it should take care not to practise or appear to be practising when tying up loose ends, and publicity materials should be changed to make this clear. We referred it to our guidance on closing down (www.sra.org.uk/closingdown [<https://upgrade.sra.org.uk/solicitors/guidance/closing-down-your-practice/1>]).

Firm A remained confident of securing a new policy, but drew up a contingency plan all the same, making arrangements for the storage of files and returning of client money. We continued to engage with the firm throughout the CP as it became clear that it would have to close. That way, the firm was fully aware of its obligations and was able to close without any negative impacts on clients.

In contrast, Firm B—also struggling to obtain an affordable quote—entered the EPP but did not keep us informed, as per Rule 8.1 of the SRA Indemnity Insurance Rules. The firm focused on getting as many quotes from insurers as possible. It then entered the CP, again without letting us know, and it was only because its previous insurers told us it had not renewed that we became aware there was an issue.

It seemed Firm B was focused on either getting a cheaper quote or getting credit, but we were not aware of this to begin with as, despite trying to contact the firm numerous times, our calls were avoided and emails and letters remained unopened or unanswered. The firm continued to take new instructions, which is not allowed when in the CP, and made no contingency plans should it have to close.

We eventually visited the firm unannounced (as our calls were not taken) and found the firm had continued to take new instructions and undertake work after the CP had ended, i.e. practising without insurance. The partners claimed they were unaware of the restrictions of the CP.

As with Firm A, Firm B had to draw up plans to close properly and without impacting on clients. We closely monitored the situation as we had originally considered intervention. A formal investigation began into the conduct of the partners and regulatory action was taken against them.