

SRA BOARD
21 January 2020

CLASSIFICATION – PUBLIC



This paper will be published

Update on the Solicitors Indemnity Fund (SIF)

Purpose

- 1 To update the Board on the Solicitors Indemnity Fund (SIF) and the associated management company, the Solicitors Indemnity Fund Limited (SIFL). The independent chair (John Young) and chief executive of SIFL (George Raubenheimer) will attend the Board meeting for this item.

Recommendation

- 2 The Board is asked to:
 - (a) note the update and discuss the ongoing activity of SIF and SIFL.

Equality, Diversity and Inclusion considerations

- 3 This paper deals with an update on SIF and SIFL and its operations. This update raises no specific issues or considerations in respect of EDI. Should the Board be asked to make any specific decision in the future the potential impact on EDI will be considered at that point.

**If you have any questions about this paper please contact: Mark Draisey
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Updated on the Solicitors Indemnity Fund (SIF)

Introduction

- 4 In our Indemnity Rules 2012 we have made provision for indemnity arrangements which ensure professional indemnity cover for law firms in certain circumstances and established the Solicitors Indemnity Fund (SIF) for the purpose. These rules comprise “regulatory arrangements” under the Legal Services Act 2007, and therefore form one of our delegated functions under the Law Society’s General Regulations.
- 5 Day to day operation of SIF is carried out by the Solicitors Indemnity Fund Limited (SIFL). SIF underwrites the following exposures:
 - claims made during the period a firm was covered by the SIF master policy (i.e. from 1 September 1987 to 31 August 2000) i.e. 'historic SIF claims'
 - claims made after 31 August 2000 by practices that ceased (without a successor practice) while covered by the SIF master policy i.e. 'SIF run-off claims'
 - claims made between 1 September 2007 and 30 September 2020 that arise after the run-off cover in the SRA’s minimum terms and conditions has expired i.e. 'expired run-off claims' (supplementary run-off cover).
- 6 The 'supplementary run-off cover' referred to above is not provided in accordance with the SRA’s minimum terms and conditions (MTCs) and neither is it a requirement that we impose on closing firms or solicitors through the SRA Indemnity Insurance Rules 2013
- 7 The Board will be aware that on 30 September 2020 SIF will cease to provide supplementary run-off cover to firms that have closed, or will be closing, without a successor practice. Any claims made against firms after this date and outside of the six-year run-off period will not be covered.
- 8 SIFL will continue to manage 'historic SIF claims' and 'SIF run-off claims'. SIFL will also continue manage any 'supplementary run-off cover' claims which have been notified to SIF prior to the 30 September 2020.
- 9 As a limited company SIFL has its own board of directors with its own independent chair, an independent director and representatives of the both the SRA and The Law Society.

Discussion

- 10 During the course of 2019 the SIFL Board has been reviewing the current position of SIF and SIFL and the long-term basis for which the services provided by SIFL can be provided. These considerations have included the current and future expected claims, the costs of management of the claims and SIFL itself and how this will continue in future years.

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- 11 With no new claims on the supplementary run-off cover permitted after 30 September 2020 and the increasing remoteness of new historic SIF claims and SIF run-off claims, the SIFL Board believes that the way in which the management of the fund is undertaken may need to change.
- 12 The SIFL Board has therefore commissioned an independent review of the fund and potential options for the provision of indemnity arrangements and how these might be managed.
- 13 The board of SIFL will continue to review the options and will make any recommendations to the SRA Board at the appropriate time.
- 14 It is hoped that any change to the arrangements for the management of fund may be concluded by around 31 October 2022, however early planning for those changes is considered prudent by the SIFL board. Any alternative indemnity arrangements would need to be put into effect through amendment to the rules, which will require consultation and engagement with relevant stakeholders including The Law Society and LSB.
- 15 The Board will be kept apprised of progress during 2020 ahead of any proposals being brought forward for decision.

Recommendation: the Board is asked to note the update and discuss the ongoing activity of SIF and SIFL.

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Supporting information

Links to the Strategic Plan and / or Business Plan

- 16 Whilst not impacting directly on the current year business plan any changes to SIF and SIFL is an important strategic business decision that will impact on the operation and management of our indemnity requirements over the long term and the management of these arrangements in future strategic and business plans.

What equality and diversity considerations relate to this issue

- 17 This paper deals with an update on SIF and SIFL and its operations. This update deals with no specific issues or considerations in respect of EDI. Should the Board be asked to make any specific decision in the future the potential impact on EDI will be considered at that point.

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