



Law Society  
of Scotland

# The Law Society of Scotland Master Policy

*Your guide to the Professional Indemnity  
Master Policy for solicitors in Scotland 2017*



**LOCKTON**<sup>®</sup>

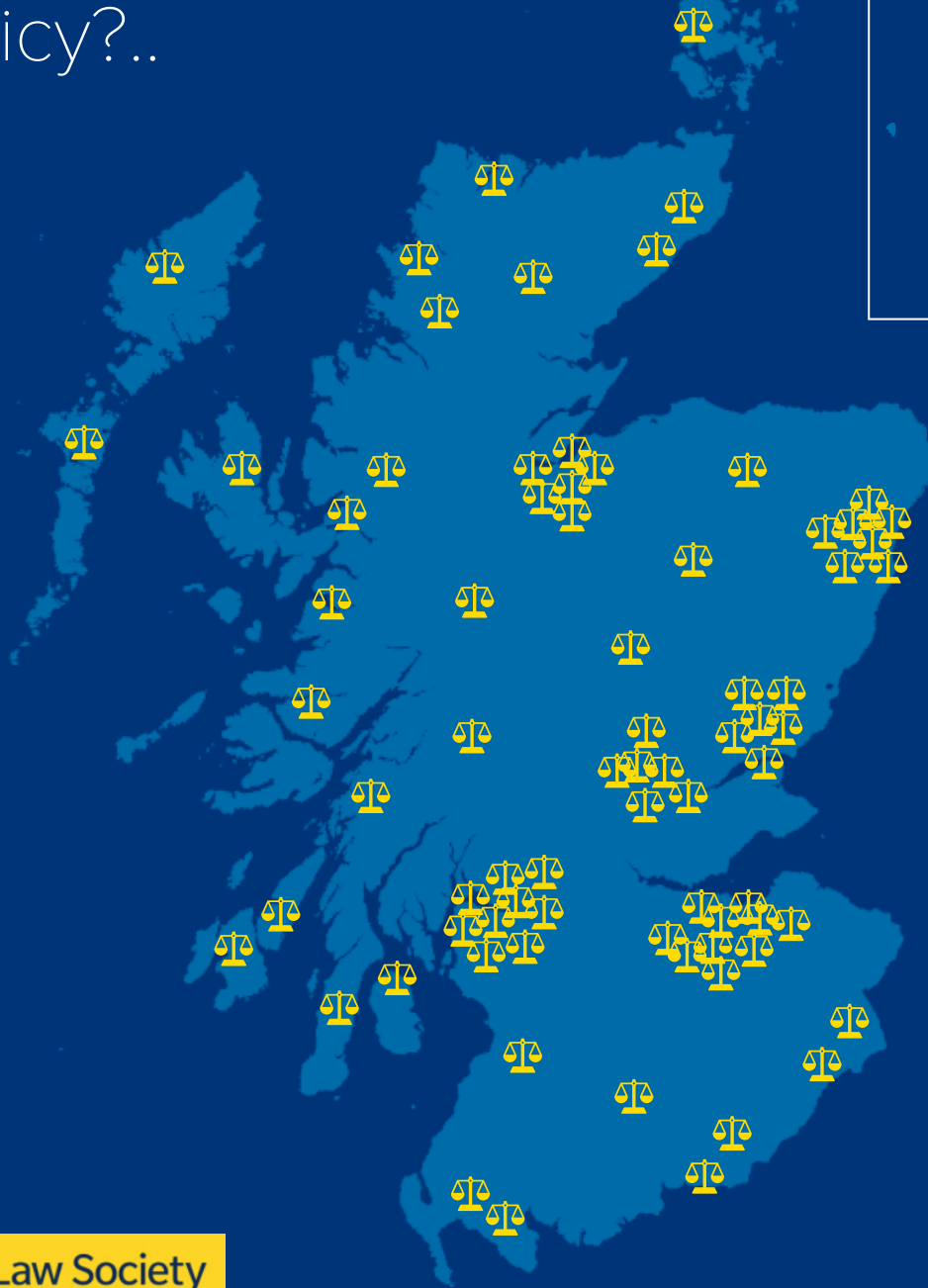
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This document is for general guidance purposes and you should contact Lockton for specific advice regarding the cover provided or any other matters relating to the Master Policy. Lockton cannot accept any responsibility in respect of any errors, omissions or inaccuracies. The information contained in this guide is intended to be accurate as at 1 November 2016.

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# What is the Master Policy?..



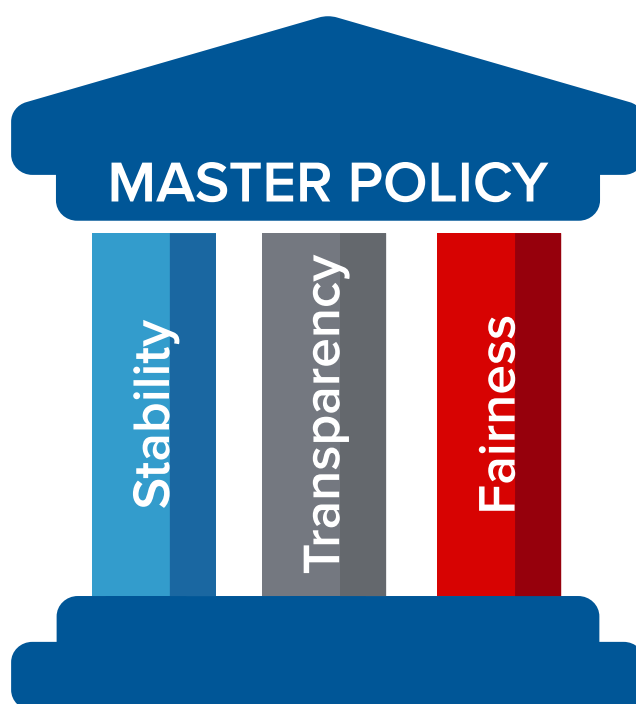
*...the professional indemnity insurance policy for all Scottish law firms.*

*The Law Society of Scotland Master Policy for Professional Indemnity Insurance ('Master Policy') is the compulsory professional indemnity policy for solicitors in private practice in Scotland.*

Unlike the professional indemnity arrangements for Solicitors in England & Wales, where firms can purchase insurance from one of a number of 'Participating Insurers' (insurers that agree to minimum policy terms & conditions determined by the regulator), solicitors in Scotland have the benefit of a Master Policy – a single policy which provides professional indemnity insurance cover for all law firms regulated by the Law Society of Scotland.

### **Principal Benefits**

One benefit of a Master policy is that it enables Lockton, as broker for the Master Policy, to negotiate robustly to obtain the best possible renewal terms for all practices, regardless of size.



**Provides stable, transparent and fair pricing.**

# Why have a Master Policy



It provides financial protection for practices, individual solicitors, and the public



It underpins the trust clients have in their solicitor



It provides fair and transparent pricing for all firms



All practices can benefit from the purchasing power a Master Policy brings



It provides cost-effective 'run-off' cover for closed practices in perpetuity (for as long as the Master Policy exists)



Guaranteed service levels provided to all firms by Lockton

# Lockton's role as broker



## Strong Negotiator

We negotiate with A-rated insurance markets each year to ensure that the Master Policy is renewed on as competitive, and sustainable, terms as possible.

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## Efficient Administrator

We administer your Master Policy renewal process to stringent service requirements set down by the Law Society. Our online resources, including our client portal and online renewal process, help make the renewal process faster and simpler.

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## Trusted Adviser

We act as a trusted adviser to your business, to help you manage your risks most effectively and thereby reduce the costs of doing business.

We identify claims trends and highlight emerging risks - and help the profession develop strategies to mitigate and manage these risks.

As one of the UK's largest specialist brokers for professions, we can also advise you on, and arrange for you, a comprehensive suite of additional insurances, including;

- 'top-up' professional indemnity cover, if the £2m Master Policy is insufficient for your needs
  - Cyber & Crime insurances
  - Office insurance
- 



## First Point of Contact

We are your direct point of contact for any Master Policy related matters, including claims intimations, changes to your practice, and any general queries.

You can contact the Lockton Master Policy team

**by email:** [masterpolicyteam@uk.lockton.com](mailto:masterpolicyteam@uk.lockton.com)

**by telephone:** 0131 345 5599

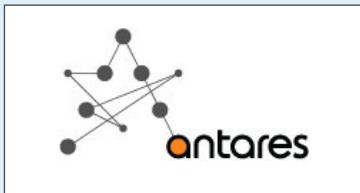
For more information about Lockton, visit our website at [www.locktonlaw.scot](http://www.locktonlaw.scot).

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# Who are the Master Policy Insurers?



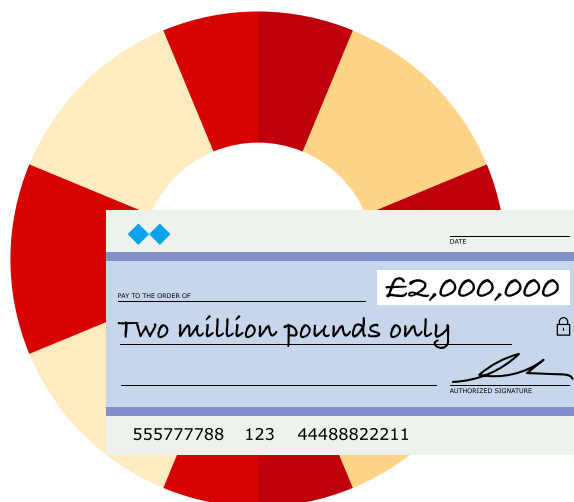
Since the inception of the Master Policy in 1978, the lead insurer has been Royal & Sun Alliance (RSA). There are also a number of other 'co-insurers'. For 2016-17 the co-insurers are as follows:



# How much cover does the Master Policy provide?

Master Policy provides cover on a 'claims made' basis. That is, the amount of cover which applies is that which is in place at the date a claim or potential claim ('a circumstance') is intimated to Insurers.

**Currently the Master Policy limit of indemnity is £2,000,000** (any one claim). This is your 'primary' layer of insurance.



Many firms purchase additional layers of 'top-up' cover to increase their level of cover beyond the £2 million offered by the Master Policy. You should determine what is an appropriate level of cover for your firm, based on the nature of the work you undertake, remembering that claims can arise several years after the work giving rise to the claim was undertaken. Contact the Master Policy team at Lockton for further guidance on your individual requirements.

Top-up cover which dovetails seamlessly with your Master Policy cover can be arranged through Lockton. You can purchase this at the same time as your Master Policy, without the requirement to fill out any other forms. You can also purchase 'Top-up' cover at any time during the year.

Top-up cover can be purchased in £1m increments, and is typically split into 'layers' as follows:

*Please note: Top-up cover is not available for single transactions*

Professional Indemnity Layer	Total Limit of Indemnity
Master policy	£2,000,000
Top-up Layer 1	Up to £5,000,000
Top-up Layer 2	Up to £10,000,000
Top-up Layer 3	Up to £25,000,000
Top-up Layer 4	Up to £50,000,000
Top-up Layer 5	Up to £100,000,000
Top-up Layer 6	Up to £200,000,000



## What is covered?

The Master Policy provides cover for any civil liability arising out of ‘business... customarily...transacted by solicitors in Scotland’. This is one of the widest basis of cover available to any UK professional firm.

### Cover for Activities undertaken by a solicitor

Almost any type of work is covered by the Master Policy, as long as it is customarily undertaken by solicitors in Scotland, and undertaken by the solicitor concerned, in their capacity as a solicitor in the firm in question.

Activities Covered by the Master Policy include:
Executor
Trustee
Judicial factor
Guardian
Power of Attorney
Director (legal advice only)
Company Secretary
Treasurer
Auditor
Liquidator
Administrator/Receiver
Mediator or Arbitrator
Locum
Consultant

*This summary is for guidance purposes only. Please consult your policy or speak to your Lockton broker for details of full terms and conditions of cover.*

## Types of Claim covered by the Master Policy

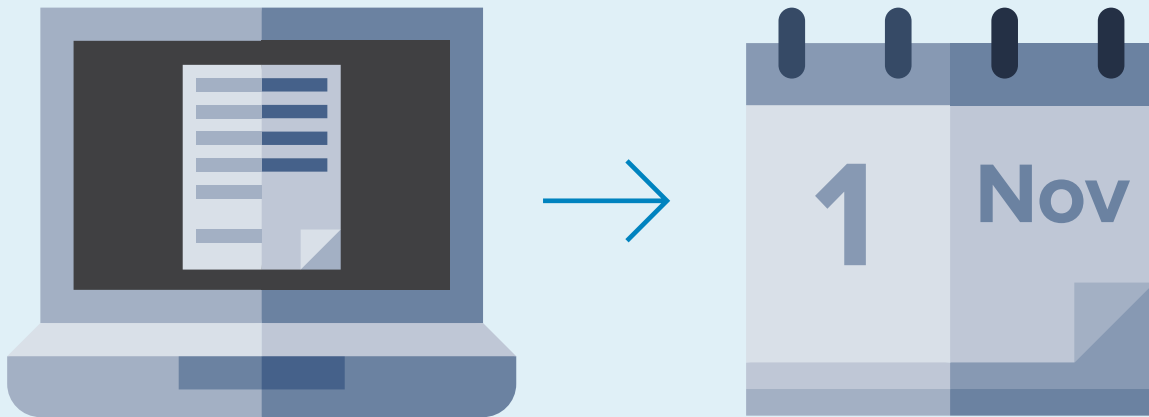
Claims can arise from a variety of causes, the majority of which are covered under the Master Policy, although some claim types have specific cover conditions or sub-limits applied. There are also a small number of exclusions. Lockton can readily clarify any policy cover queries you may have.

Types of Claim Covered by the Master Policy
Fraud/Dishonesty – loss of clients’ money <i>subject to there being an innocent Principal</i>
Bank failure – loss of client monies <i>only where the practice <u>has</u> been negligent</i>
Loss of Documents to £250,000 <i>subject to conditions re electronic document storage</i>
Defamation
Court attendance costs <i>in relation to claims against the Practice – see rates in Certificate of Insurance</i>
Undertakings <i>different self-insured amounts may be applicable</i>
England & Wales work
Other Foreign Work (excluding work undertaken in USA or Canada) <i>subject to demonstrably competent test</i>

Major Exclusions
Fraud/Dishonesty – loss of firm’s own money
Personal financial guarantees
Work undertaken in USA/Canada
Regulatory fines
Liabilities properly insured under other policies

*This summary is for guidance purposes only. Please consult your policy or speak to your Lockton broker for details of full terms and conditions of cover.*

# Master Policy Renewal Process



Lockton has introduced a secure client portal which provides any-time access to your insurance documentation, alongside a wealth of practical guidance and CPD learning modules. It also contains your online proposal form, for simpler and quicker renewal of your Master Policy, Top-up Cover, and a wide range of other business insurances.

The Master Policy renews on 1st November annually. We will email the registered Master Policy Contact in each firm in advance of renewal with a link to the proposal form to complete.

# Our online renewal process offers the following benefits:



# Notifying Claims to Lockton



## What & When to Notify

You should intimate claims (or circumstances which could give rise to a claim) as soon as possible. A 'claim' is most obviously identified by the service of legal proceedings, but can equally be made by a letter of demand, or orally. Similarly, a potential 'circumstance' can be an issue that you, or someone else within the firm, has identified that has not yet been raised as a claim by the client concerned.

### *“When in doubt, notify”*

If you are unsure whether or not to notify something, speak to us, or err on the side of caution and complete our claims notification form. Remember that notifications with a nil reserve do not impact on your record for premium purposes, and keeping a comprehensive record of potential issues can help you track patterns of behaviour and identify systemic problems early. Late notification, in contrast, can give rise to problems for practices regarding the handling or settlement of a claim. Insurers are entitled to apply a number of special conditions, including reducing the amount payable in settlement of a claim, where your delay in notifying has prejudiced the handling or settlement of the claim.

If you have not disclosed material information or have misrepresented facts to insurers you may be required to pay an additional premium, which can be applied retrospectively. It is important to note that 'Circumstances' (i.e. not formal notifications of known claims) are not taken into account for premium calculation purposes.

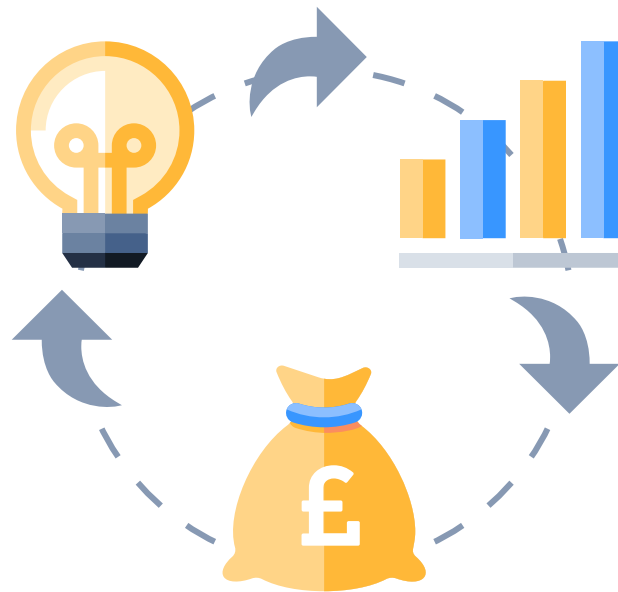


## How to Notify

Log in to your secure client portal, and complete the very short claims form, attaching any relevant documents. When you submit the notification in this way, it is automatically logged and acknowledged, and will facilitate a quicker response time.

If, for any reason, you are unable to complete our online notification form, you can email [MasterPolicyClaims@uk.lockton.com](mailto:MasterPolicyClaims@uk.lockton.com) explaining the factual background, and include all relevant correspondence.

# Starting a Practice



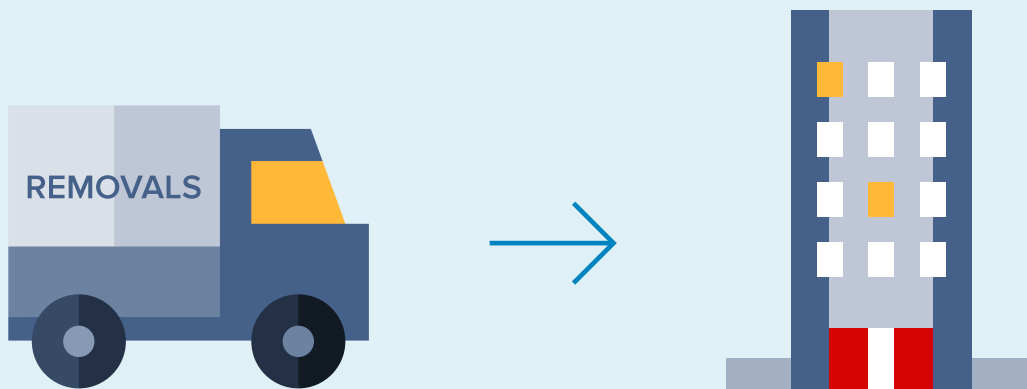
Please contact us as early as possible when you are considering starting a new practice. You should also contact the Law Society. They have provided guidance on Starting a New Practice which you may find helpful.

Be aware that your Master Policy cover must be in place before you can start practicing, therefore you will need to complete a New Practice Proposal form.

Contact us and we will set you up with a username and log-in to access your proposal form.

We can also assist you by providing free access to a range of useful templates, checklists and guidance which can help you start your practice on the right footing. We also have a 'Starting a Practice - planner' to download in our Resource Centre.

# Changes to your Practice



The Insurance Act 2015 requires Practices to disclose all material circumstances (defined as any information that would influence an insurers decision regarding the terms of that insurance).

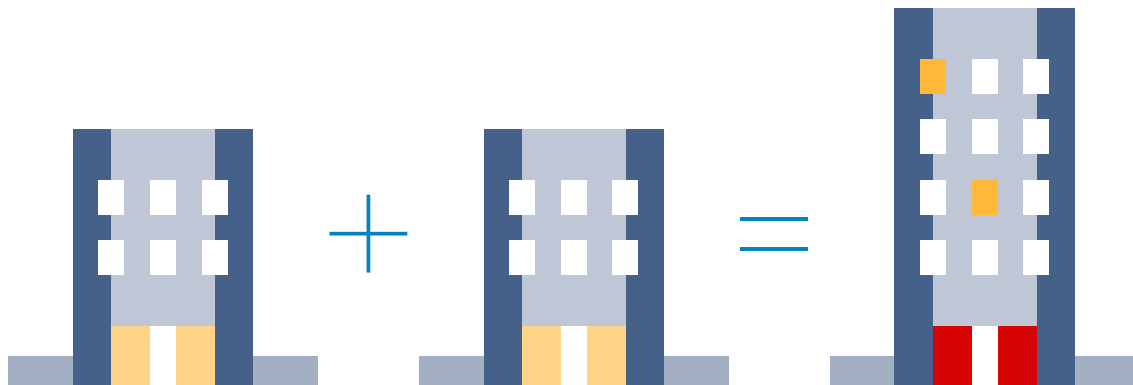
If there are material changes to your Practice during the course of the year, we need to know. Such changes include:

- changes to Partners/Principals;
- conversion to an LLP, Ltd Co, or ABS;
- addition/removal of any JV partnerships, trading styles, etc
- opening of new offices - particularly if overseas
- change of address
- change of key personnel (Master Policy contact; Claims Contact; Risk Management Contact)
- anticipated mergers, break-ups, or dissolution of your practice
- significant change in anticipated fee income or work-types
- withdrawal of criminal court undertaking

Many of these changes can be instructed directly, online, using the Update Details section on the client portal. You should provide us with updated details as early as possible to ensure that you comply with your obligations under the Insurance Act.

*Please note – there is no increase in premium due or rebate of premium payable for changes in the number of Principals or changes in anticipated fee income during the policy term.*

# Mergers, Acquisitions & De-mergers



Mergers, acquisitions and de-mergers can all have significant implications for a practice's cover under the Master Policy. The key question to be addressed is whose Certificate of Insurance will provide indemnity in the event of a future claim arising out of the past activities of a practice.

Practices can opt to take on the liabilities of a past practice. If an acquiring practice does not assume responsibility for insuring the past activities of a merging practice, then the practice will cease and go into "run-off" (this is the ongoing cover provided under the Master Policy for all practices that have ceased trading. Contact us for more information about the terms and conditions applying to run-off cover.) There may be a charge for this run-off cover.

The financial implications of either approach are dependent on the specific circumstances in each case. Practices should therefore contact us at the **earliest opportunity** to discuss the implications of any potential merger, acquisition or de-merger. Your enquiry will be treated in strictest confidence.

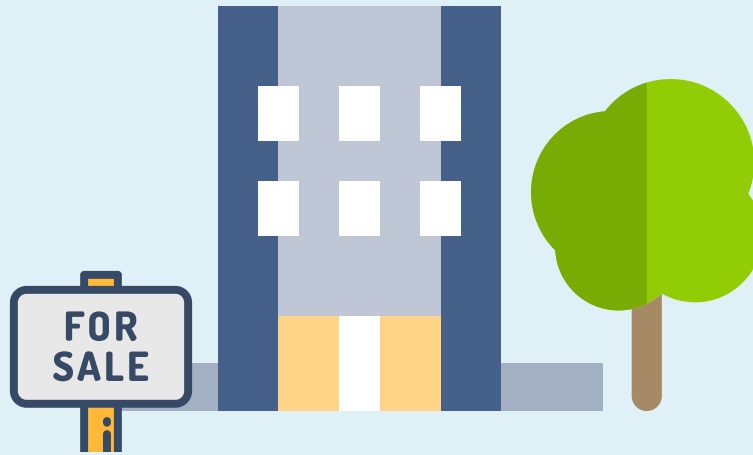
Please note the impact of claims in the event of a de-merger. You will have to decide on the:

- allocation of premium contributions record
- allocation of claims/circumstances record
- allocation of future claims/circumstances

This will have to be agreed as between the Principals of the de-merging practice. Please contact us for more information and guidance.



# Closing Down/Retiring



If you are considering retiring/closing-down your practice it is important to start planning early. Please contact us as soon as possible, to allow time to discuss the options and the potential implications for your Master Policy cover and premium.

If you do not anticipate there being a 'successor practice', the cover for your practice will go into 'run-off' on the date of cessation. There may be a charge for this continuing 'run-off cover'. We will require ongoing contact details for any claims or other queries that may arise. We will also continue to provide a certificate of cover annually.

We can also provide you with guidance on Succession Planning and Practice issues arising from retirement.

# Lockton's Master Policy Team

The core team comprises:



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& Broking of Master Policy*

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**MARK GRAY**

*Claims Director*

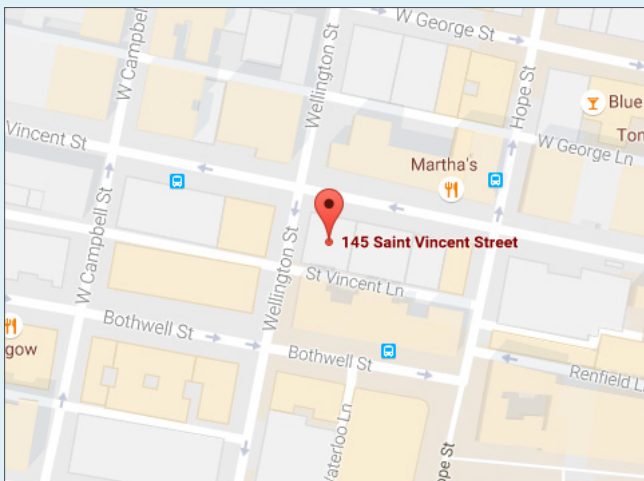
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mark.gray@uk.lockton.com

Lockton's Master Policy Team is based out of our Edinburgh and Glasgow Offices.



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Master Policy Switchboard **0131 345 5599**

Email (claims notifications): [masterpolicyclaims@uk.lockton.com](mailto:masterpolicyclaims@uk.lockton.com)

Email (all other enquiries): [masterpolicyteam@uk.lockton.com](mailto:masterpolicyteam@uk.lockton.com)

## Our mission

To be the worldwide value and service leader in insurance brokerage, risk management, employee benefits and retirement services.

## Our goal

To be the best place to do business and to work.



Lockton Companies LLP.

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