

# Some issues with PII renewals

By Barbara Bradshaw

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This article summarises some of the differences in renewal terms for the Professional Indemnity Insurance (PII) renewal for the period of 30 September 2004 to 30 June 2005. Principals and employed practitioners should note these matters – however I would again urge all practitioners to closely peruse all the details in the material provided by Marsh and contact Marsh or the Law Society if you have any queries, particularly as we may have missed some of the issues.

\* The limit of liability has been increased to \$1,500,000 from 30 September 2004 on a costs-inclusive basis, reflecting suggested minimum limits of liability. The policy is through QBE Insurance (Australia) Limited.

\* Discounted premiums apply to firms that have had an approved Quality Practice Review conducted in the previous 12 months. Discounted premiums also apply to firms where over 50 percent of fees/income relates to criminal law activities.

\* The method of calculating returns and additional premium for departing and new practitioners has been recalculated, which is subject to continuity of cover applying for practitioners leaving the firm (i.e. the refund can only apply from the date they commence under the new firm's certificate). For the majority of practitioners who leave the facility all together, a percentage of the premium will be retained by the insurer to provide an element of run-off cover for such a practitioner.

The details are as follows:

1. For practitioners leaving the Northern Territory and suspending their Practising Certificates, 75 percent of the pro-rata premium for the remaining period will be refunded to the firm;
2. For practitioners moving to a "non practice body" (i.e. corporate lawyer to a government department etc) 75 percent of the pro-rata

premium for the remaining period will be refunded to the firm;

3. For practitioners moving between firms that are insured under the facility, a full pro-rata refund of the premium will apply. The refund will apply from the date the practitioner's new firm has applied for the cover and been invoiced. The full pro-rata premium will be payable by the new firm; and
4. For retiring practitioners, no pro-rata refund is provided.

Run off cover continues under the policy for claims arising from the acts of practitioners after their date of departure from the facility other than for any practitioners moving to a firm that is exempted from the policy who will not be granted run-off cover for activities conducted prior to such a move. It is the responsibility of these practitioners to ensure they have cover under the new firm's insurance policy for their prior activities.

\* Firms that are Incorporated Legal Practices (ILPs) or are thinking of becoming ILPs or multi-disciplinary partnerships under the recent amendments to the *Legal Practitioners Act* need to be aware of the extent of cover (non-legal practice activities are not covered under the policy) and disclosure requirements.

It is noted the policy remains a "claims-made" policy and notice of all claims and circumstances that could give rise to a claim must be provided to Marsh Pty Ltd as required.

Work on securing the best possible PII arrangements for the 12 months commencing 1 July 2005 will begin in November 2004. The Law Society Council, Secretariat and our insurance brokers Marsh are already considering the issues involved.①

## CORRECTION

### *The number crunching decisions behind ILPs and MDPs (March-April 2004, Balance)*

This article stated that the distribution of income to non-legally qualified owners is not permitted for legal practice companies incorporated under the *Legal Practitioners (Incorporation) Act*. This is actually not correct - the legislation provides that non-voting shares can be held by certain kinds of persons. Such shareholders may receive income from the company.①

### *Bradley appointment cleared by the High Court (June 2004, Balance)*

This article incorrectly stated that Mr Hugh Bradley CM was appointed by former Chief Minister Shane Stone on a two-year contract. Mr Bradley's contract was not for two-years, however his terms and conditions were fixed for a two-year period.

*Balance* would like to apologise for this error and hope that it has not caused any confusion or misunderstanding.①