



Association of British Insurers

Assigned Risks Pools – protection at any price?

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Assigned Risks Pools – protection at any price?

The ABI

Association of British Insurers – 400 members;
90% of UK insurance

General Insurance / Life / Pensions /
Investments



Assigned Risks Pools – protection at any price?

ABI engagement

Mortgage Fraud

Minimum Terms and Conditions / QIA

Member Working Group incl. Lloyd's.



Assigned Risks Pools – protection at any price?

1. Why do Assigned Risks Pools exist?
2. ARPs in comparison
3. Inevitable failure? Options for improvement



Assigned Risks Pools – protection at any price?

Why do we need Assigned Risks Pools?

Compulsory insurance requires it?

Employers' Liability / Motor

Who benefits? - safety net or rehabilitation?



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ARPs in comparison – rules

Surveyors

- Entry after declinature
- Insurers vet entrants
- Premiums controlled
- Aggregate cover
- Business review and potential restrictions
- No premium, no cover
- Insurers involved in claims handling



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ARPs in comparison – rules

Accountants

- Entry after declinature by market
- Insurers agree the terms
- Survey of firm
- Potential restrictions on business
- Premiums set by insurer panel



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ARPs in comparison – rules

Solicitors

- Entry not restricted to firms who have been declined cover elsewhere
- AOC cover
- Premiums, claims in hands of ARP manager
- Max 12 months in ARP
- Cover maintained if premium not paid
- No restrictions on cover
- Waivers decided by SRA
- Inspections by SRA
- New firms can't start in the ARP



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ARPs in comparison – rules

Key differences

- Insurer involvement
- Aggregate limits
- Restrictions on cover and business
- Regulatory oversight
- No premium – no cover



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ARPs in comparison – data

Surveyors

- RICS regulates c.10,000 firms
- Since 2002 – total of 55 firms in the ARP
- Between 0 and 13 firms per full year
- 67 claims since 2001; none between 04 and 08; 57 since 2009.
- No claim cost more than 80k.
- Total ARP premium is 700k since 1996
- c.350k in the last two years
- Insurers reserving 900k currently.



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ARPs in comparison – data

Accountants



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ARPs in comparison – data

Solicitors

- SRA regulates 10,975 firms
- 883 firms have been in the ARP
- Between 28 and 259 firms since 2000
- £19,696,000 premium due; £9,733,000 collected; £9,963,000 uncollected
- Incurred total claims ranges between a low of 707k and high of 41.3m (2008/09)
- Total incurred claims: £80.5m
- Number of claims ranges between 70 and 1536, and a total of 3542.



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ARPs in comparison – data

The Solicitors' Assigned Risks Pool has cost insurers £70,760,000 over the ten years of its existence.

There are still 1227 open claims...



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Solicitors' ARP is destabilising the market

- Current state of the market
- Underwriting unlimited losses – loading the premium?
- Enabling claims?
- Protecting the customer?



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Solicitors' ARP – chance to reform

2009 SRA consultation on ARP

SRA Review on indemnity and compensation –
change in 2011?



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Solicitors' ARP – chance to reform

- Levy the profession
- Limit scope of cover
- Aggregate limits
- Insurer involvement
- More and tougher regulatory intervention



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Solicitors' PII – into the abyss?

2010 Renewals

Opportunities for change:

- *Protection and Sustainability – May 2010*
- Lender cover
- Ability to void policies
- Run-off
- Regulatory change



Assigned Risks Pools – protection at any price?

Consumer protection is not only about compensation – it is about not exposing the consumer to excessive risk in the first place.

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