



Professional Services

Risk Bulletin – Q3 2014

The 2014 solicitors' professional indemnity renewals

Andrew Roast, who heads up the Solicitors team within Aon's Global Broking Centre, answers the key questions on the 2014 law firm PI renewals.

- What factors most influenced the law firm market in 2014?

The continuing prevalence of large claims against the profession, both within the primary and top up layers, had the greatest impact on the law firm market for large firms. At least one insurer of large firms looked to increase rates by a minimum of 10% as a result of a deteriorating book of business. Generally, at the primary level, firms with deteriorating claims records all saw increases, and some were fairly significant. Firms with clean records could still attract modest rate reductions. On the top up layers, firms continued to enjoy rate reductions at this year's renewal, albeit not at the levels of the prior two years due to an increase in claims in excess of the primary layers.

“Generally at the primary level, firms with deteriorating claims records all saw increases, and some were fairly significant.”

- What area of the firms' practice concerned insurers most?

Large claims against law firms have come from many practice areas over the years, so there is no single practice area that causes significant concerns amongst the insurers of large firms. That being said trusts and estates work and tax were getting more focus this year and insurers continue to focus on real estate and financial institutions work. Outside of specific practice areas, insurers were focused on how firms deal

with screening their clients against the varying sanctions lists across the world, and there is a continued interest on firms' financials.

- How did Aon's clients fare?

On the primary layer, the pricing was determined by an individual firm's claims history, so some of our clients did see increases as a result of a worsening claims record. Loss free firms enjoyed rate reductions driven by competition.

On the layers excess of £10m, Aon's clients once again enjoyed rate reductions.

We offered each of our firms a competitively priced option for increased limits and a few took up this opportunity (several firms had increased limits substantially in 2013).

- How was competition at the primary layer?

All the key insurers looked to increase their market share of Top 50 firms at this year's renewal, so there was competition for many firms. That being said, all of these insurers take a technical approach to underwriting and any pricing that they offered had to make sense from an actuarial approach. We are aware that some key insurers, as a result of their pricing, lost firms. We did explore alternative options for our clients this year and spoke to many other insurers who expressed an interest in insuring large firms, but on a different model than currently used.

- Were there capacity issues in the limits excess of the SRA compliant cover?

Capacity continues to be abundant on the top up layers in excess of £10m. There is in

excess of £500mIn of capacity for law firms available and a number of new entrants including CNA Insurance Company Ltd and Endurance. Aon's clients continue to enjoy Berkshire Hathaway's capacity on an exclusive basis.

- **What is your outlook for 2015?**

The first thing we need to keep our eyes on are changes to the SRA minimum terms and conditions following the consultation. There was an expectation that changes would be made prior to this year's renewals, but this was postponed. We do not expect any changes to affect the large firms which we expect to continue to enjoy the current Aon Elite form, but the introduction of an aggregate limit, for example, may entice new entrants to the market to compete with the current primary markets.

At primary levels, our sense is that the improving economy may result in an improving loss environment, but an individual firm's claims record will continue to be the main driver. We will continue to work with insurers to develop new primary options for solicitors.

At excess layers, pricing is shaped by overall capacity available and we do not see any contraction in 2015, so we expect the soft market to continue into next year.

Mandatory equal pay audits – are you ready for them?

One of the hot topics of the employment law world at the moment is the introduction of equal pay audits. From 1 October 2014, if an employer loses a claim for equal pay or sex discrimination in relation to pay, they may be ordered by the tribunal to carry out an equal pay audit. The tribunal will set the exact scope of the audit, but it would most likely cover basic pay and bonus as well as other forms of remuneration. The audit would have to identify any gender-related pay differences, the reasons for those differences, and set out the employer's plan to address any issues identified.

Employers will be required to publish the audit on their website for at least three years and to notify employees of the results. Failure to comply with the order could result in a financial penalty of up to £5,000.

Historically, the number of equal pay claims brought by employees has been relatively low, and the number of successful claims has been even lower, with only 0.1% of claims being upheld at hearing in 2011/12. Statistics show, however, that the pay gap between men and women is currently 19.7%, having risen last year for the first time since 1997, when it stood at 27.5%. Against this background, our view is that the introduction of mandatory audits is something that employers should take time to consider. While equal pay claims have historically been more common in the public sector, the added threat to employers of an equal pay audit may well encourage employees to pursue such claims in the hope of forcing an early settlement.

One way employers can mitigate this risk is to undertake a voluntary audit (which would not have to be published). If such an audit meets certain requirements and has been carried out within three years of the relevant tribunal judgment, then a mandatory (public) audit should not be ordered. If the prospect of a full audit is a step too far, then employers should at least examine their pay practices (possibly on a legally privileged basis) so as to reveal any areas of concern. This should give time to address issues ahead of any claims being made.

The true impact of mandatory audits is unlikely to be known for some time (given the length of time it traditionally takes for an equal pay claim to reach hearing). The issue of equal pay is, however, something that employers should address now, if only to reassure themselves that their pay levels and practices would stand up to the scrutiny of a tribunal claim.

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Understanding the risks of under-engaged employees: Aon Hewitt's 2014 survey investigates

Aon Hewitt's ongoing research shows that engaged employees deliver greater productivity, better customer service, superior quality products and services, and more innovative solutions. Higher levels of engagement also typically mean lower levels of absenteeism and voluntary turnover.

Every disengaged employee, on the other hand, poses a significant risk to your firm, and can cost an organisation more than £5,000 in annual profits.

Aon Hewitt's annual Trends in Global Employee Engagement study highlights levels of engagement around the world and what the key drivers of engagement appear to be at a macro level.

At Aon Hewitt, engagement is defined as the intellectual and emotional connection which an employee has with his/her organisation. It is measured by assessing the extent to which employees are likely to say positive things about their experience at work, how likely they are to stay with their organisation and how effective the organisation is at motivating them to go the extra mile.

The Trends in Global Employee Engagement report draws on Aon Hewitt's global engagement database, containing over 7 million employees across more than 6,000 companies, in 68 industries and 155 countries. As a result, it provides an authoritative overview of employee engagement levels, drivers and results.

The 2014 report reveals a steady progression in global employee engagement levels, with career opportunities, performance management and organisational reputation outranking pay as 2013's top global engagement drivers.

Key findings include:

- Global employee engagement increased slightly (one percentage point) from 2012 to 2013, to 61% overall.
- In the European region, engagement has stabilised with 57% of employees being engaged.
- Employees' work experience is improving more than it is deteriorating, but not necessarily in the most important areas i.e. the top engagement driver areas mentioned above.
- Best employer companies are pulling away from the pack i.e. there is a further widening of the gap between average companies and those that excel at engaging their employees.
- In order to drive engagement, organisations should have a clear view of what the key engagement drivers are for their employees at an overall level but also by key segment e.g. roles and divisions. In this way, tailored actions can be taken to increase employees' connection to the organisation.
- Leaders typically hold the key to employee engagement. Engaging leaders think, feel and act in different ways than typical leaders.

Working with more than 6,000 organisations across 155 countries, Aon Hewitt's Engagement practice makes engagement happen, through a proven employee engagement model, leading edge analysis which highlights the priority drivers for action and vast experience of managing employee engagement projects.

You can find out more, and download the full Trends in Global Employee Engagement study, at <http://bit.ly/AonEngage>, or for more information contact Jenny Merry on 01727 888395 or at jenny.merry@aonhewitt.com.

An interview with Mike Eld, the Professional Services Group's newest employee

Mike joined the Professional Services Group on 18 August as its head of sales, having previously worked at Howden.

Here Mike talks about his career to date, why he chose to move to Aon and his plans for the future.

Have you worked outside of the insurance industry? My early career was spent in recruitment and was invaluable in developing the core skills I rely on today. Few experiences can give you a thicker skin than contacting technology firms, in the wake of the Dotcom bubble burst, and asking if they were hiring. Most people's response was to ask if I had read the newspapers recently. However, for every 50 firms making redundancies, there was always one hiring.

What did you do after your spell in recruitment? I can honestly say that I actually wanted to come into the insurance industry. This was down to the added diversity to the sales role - having to gain a technical understanding as to what I was selling - and to the softer skills associated with insurance.

What prompted you to move from Howden? It's always a wrench when you move from a company for which you've worked for so many years, especially when it's combined with a new arrival at home. For that reason, I didn't want to leave Howden for anyone other than the market leader. I approached Aon as I knew from experience that there were few harder accounts to win than an Aon held account. To my mind, they had to be doing something right to command the loyalty that they receive from their clients. As the saying goes, if you can't beat them join them.

What plans do you have for the Group? I have high hopes for the future growth of the business. The Professional Services Group have a very strong and experienced team that - combined with the clout that comes from being part of the Aon family - can bring so much to the table for new clients.

If you want to contact Mike directly then call 020 7086 2115 or email mike.eld@aon.co.uk.

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Legal Rugger

The Robert Walters Law Society 7s is a highlight of the legal calendar and a key fundraising activity for TourAid. The tournament was set up specifically for law firms and chambers, and is one of the longest-running, competitive and most established rugby 7s tournaments in the UK, having started in 1976.

Aon's legal team (captained by our very own Simon Hodgson) had a tough opening game against Robert Walters, who squeezed through by 29 points to 26.



The first game in the plate was a hard fought victory against CMS Cameron McKenna, before losing to the eventual winners, Slaughter and May, in the quarter finals.

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