

Explanatory Notes

2023/24 Professional Indemnity, Community Legal Services and Run Off Insurance Policies

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Background

1. The Lawcover Professional Indemnity Insurance (PII) policy wording is reviewed annually and changes are incorporated to address indemnity issues which have arisen throughout the year, or changes in the commercial landscape.

PII policy wording

2. There are three changes to the primary PII policy wording for the 2023/24 policy year. The first two changes are driven by Lawcover's reinsurance arrangements and developments in the past 12 months regarding cyber coverage and international sanctions. The third change is a minor change to punctuation in the definition of "defence costs" to clarify the intent of the policy.

Cyber

3. Over the past 12-24 months, insurers and reinsurers have been taking steps to clarify whether certain insurance policies provide coverage for cyber-attacks. Lawcover's reinsurers have insisted that, as a condition to providing reinsurance cover on what are essentially back-to-back coverage terms, additional wording must be included in the PII policy wording to explicitly state that this policy does not provide coverage for direct losses suffered by a law practice as the result of a cyber incident (first party losses).
4. Lawcover's PII policy does not provide, and never has provided, cover for any type of first party loss. It is a policy designed to cover losses suffered by third parties (for example, clients of a law practice) as the result of the actions of a solicitor or other employee of a law practice. In relation to cyber incidents, the policy provides cover for claims which might be the result of a cyber incident, but only so far as those incidents result in losses to third parties.
5. Clause 7 has been included in the 2023/24 wording to expressly state that first party losses, including losses arising from a cyber incident, are not intended to be covered by this policy. Clause 46 (c) and (d) have been included to define cyber incident and computer system, as those terms are used in Clause 7.
6. The inclusion of the new Clause 7 does not change the cover provided by the Lawcover PII policy in relation to third party losses arising from cyber incidents.

7. While the PII policy does not provide first party cover, Lawcover has taken steps to ensure that law practices it insures have some protection in the event of a cyber incident. In addition to the PII policy, Lawcover has purchased a group cyber policy which provides limited first party cyber coverage up to a limit of \$50,000 to all its insured law practices. The coverage under that policy extends to all insureds without the payment of additional premium.

Sanctions

8. Clause 10(g) of the policy has been amended slightly to exclude payments which would expose Lawcover's reinsurers to a breach of any sanction in Australia, the UK, the US or Europe. The reason for this change is that Lawcover's reinsurers (which generally operate globally) will not pay claims in breach of sanctions in any of those jurisdictions.

Definition of defence costs

9. Clause 46 (e) has been amended slightly to include two subclauses which were previously one sentence. This amendment is designed to clarify the situation where an insured may pay defence costs where that is part of a costs-inclusive excess under the policy.

Community Legal Services and Run Off PII policy wording changes

10. Changes to the Community Legal Services and Run Off wordings reflect the changes to the Primary wording, although paragraph numbers differ.