

**CHAIRMAN'S INTERIM REPORT**  
**JANUARY 2013**

**Introduction**

This is my fourteenth and last annual interim report to the Members of Bar Mutual. Bar Mutual has now been in operation, providing primary layer professional liability insurance to the entirety of the practising Bar, for 25 years and I am pleased to be able to report that it continues to flourish and remains in a strong financial position, with the resources in terms of both funds and management to provide strong and effective insurance cover to all its Members

**Rates for the 2013 Renewal**

This statement will shortly be followed by the papers relating to the renewal of your insurance for the policy year commencing 1 April 2013. It is important that you should read the form and explanatory notes carefully. Further information has been provided to the clerks at all Chambers and this is available to each member if you have queries on the way in which your proposal form should be filled in. If you have any remaining queries, you should contact the Managers who will do their best to assist.

Bar Mutual has consistently rated areas of practice according to the risk each practice area presents to the Fund. This means that the rate applied, and therefore the premium Members pay in respect of their practice areas, is firmly anchored to the claims experience for those areas of practice. It is therefore of real importance that you should consider the different practice areas carefully and ensure that, so far as possible, the information you provide about your practice accurately corresponds with the different practice areas. There are significant differences between the rates applied to different areas of practice and it is important, in order to provide a fair and effective service to all, that you should take the trouble to ensure that your income is allocated to the correct area.

In setting the rates for each new policy year the Board has to strike a balance between the need to have sufficient financial resources to meet unexpected adverse developments in Bar Mutual's claims experience with not setting premiums at a level higher than is reasonably necessary to meet its exposure to claims. The balance between these two considerations becomes particularly delicate when the fee income for practice areas is comparatively static or declining.

After careful consideration the Board is satisfied that for the 2013 policy year it should change the rates for only three practice areas and leave unaltered the remainder.

The rate for Professional Discipline will increase from 0.15% to 0.25%. This is because the total claims paid for this area of practice exceeds its total premium. It is also a growing area

of practice where recent experience suggests that it could generate more claims.

The rate for Planning will increase from 0.7% to 0.9%. Planning is another practice area where the total claims paid exceeds its total premium.

The Revenue Bar has had a recent history of rate increases, but I am pleased to be able to report that, due to improved claims experience, the rate for Revenue: Non-Crown: Contentious will reduce from 2.0% to 1.5%. I am also pleased to report that the Board has decided to increase the premium deferral for the 2013 policy year from 15% to 20%. Thus, for those areas of practice where the rates for the 2013/2014 policy year have not increased, Members will have the benefit of a 5% reduction in their premiums when compared to what they would have paid under the 2012 policy year rating schedule.

I habitually remind Members that Bar Mutual remains entitled to request payment of some or all of the deferral in the event of an unexpected deterioration in its claims experience. I do so again here. This means that in the event that the claims experience for a particular year reaches unexpectedly high levels, it may be necessary to call upon Members to provide all or part of the amount by which their premium has been deferred. I should however emphasise that the Board regards this eventuality as most unlikely and, in due course, the Board would expect to decide to waive the right to call for this additional premium. In this context, I am pleased to report that the Board has agreed to waive the right to call for payment of the premium deferral for the 2006 policy year. The value of the premium deferral for this policy year is £2.007m. The Board has therefore now waived its right to call for payment of the premium deferral for all policy years up to and including the 2006 policy year. I can also confirm that the Board has so far never had to call for any of the deferred premium and I am hopeful that my successors will not find it necessary to do so in future. It remains a protection of last resort.

## **Excess Layer Cover**

As with last year, three insurance brokers have confirmed to the Managers that they will be able to arrange excess layer insurance above Bar Mutual's £2.5m primary layer of cover. In the normal course, their contact details will be on each Member's renewal form.

I have frequently referred in earlier reports to the importance of all Members taking out adequate excess layer insurance. However, since Bar Mutual continues to deal with claims where Members have purchased no or inadequate excess layer insurance, thereby exposing themselves to the risk of being partially uninsured, it is a message I must necessarily continue to stress. I would therefore encourage all Members to give very careful consideration to the desirability of purchasing excess layer insurance.

Excess layer insurance for the Bar remains relatively inexpensive and I would urge you all to protect yourselves by taking out cover that is reasonably adequate for the type of cases which you are likely to handle. In this context, may I remind you, although it will be well known to very many of you, that as Bar Mutual, in common with most other liability insurers, operates on a claims made basis, you need to ensure in each year that the cover you have is adequate to protect you in respect of the kind of work in which you have been engaged, in the previous six years at least, rather than simply concentrating on the profile of work you are currently carrying out.

## **Directors**

Two Directors will be resigning at this year's Annual General meeting. Colin Reese QC has contributed to the work of Bar Mutual for over 11 years. He has chaired the Reserves Committee and the Investment Committee and acted as Deputy Chairman. On behalf of my fellow Directors and indeed the Members, I take this opportunity to thank him for his substantial contribution to the work of the Committees on which he has served, and to thank him in particular for his stewardship of Bar Mutual's Investment Committee. His contribution to the work of the Board should also be applauded.

Richard Anelay QC joined the Board in early 2005. He has served on the Rating and Reinsurance Committee and the Management Fee Committee. Again, and on behalf of my fellow Directors and the Members, I take this opportunity to thank him for his substantial contribution to the work of the Board and the Committees on which he has served.

Finally, I should inform you that after serving as a Director of Bar Mutual for 15 years, and in the capacity of Chairman of the Board for over 13 of those years, I have decided that it is appropriate for me to step down from the Board and to make way for a new Chairman. I will therefore be resigning from the Board as at 1 April 2013. I am very pleased to announce that I will be succeeded in the post of Chairman by Colin Edelman QC. Colin was the unanimous choice of his fellow Directors to succeed me, and I am sure his practice in insurance his well-recognised expertise in, and knowledge of, this area will be of immeasurable benefit to Bar Mutual. With the assistance of a Board of Directors that has expanded considerably and which now has a good balance between leading and junior counsel, I am sure that Bar Mutual's Board is well-placed to meet the challenges of the future.

It has been an enormous privilege to serve as Chairman of Bar Mutual during a period when it has continued to prosper and to provide what I believe to be a first-class professional indemnity insurance service to all its Members. However, the credit for that achievement belongs to my fellow Directors over the last 15 years and also, in particular, to the highly professional, dedicated and efficient management team which has administered Bar Mutual's affairs and looked after those Members who have been unfortunate enough to face claims.

I consistently receive reports from Members who have been involved in claims of the support, sympathy and professionalism of the Managers who have had conduct of their claims. Facing any claim can be a harrowing experience and it is to the credit of the Managers that they have managed, with very considerable success, to alleviate the impact of such claims on the individual concerned. They have also, and importantly, provided a robust yet pragmatic approach to claims handling which has been highly successful in mitigating Bar Mutual's claims experience. I thank them most warmly for their efforts and I am sure that they will continue to provide the same excellent service in the years to come.

**Justin Fenwick QC**

**Chairman**

**January 2013**