



# Legal Indemnities

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A Guide to the  
Marketplace for  
Law Firms

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WHERE THE EXPERIENCE MATTERS

The Legal Indemnities marketplace is relatively small in premium terms but there are quite a few participants. Here we explain and discuss the various roles.

## **Brokers**

The broker acts as an intermediary between the client and insurance provider, having access to multiple carriers or markets. There are several brokers with legal indemnity capability, for example: Willis, Aon, Marsh & McLennan, Gallagher, Clear, Mason Owen, Thomas Carroll, PIB, Howden and of course us at JWL. Dealing with potentially thousands of inquiries per year, a broker should possess expert knowledge as regards where to go to get best terms and/or the quickest response. The broker will receive commission from the insurance provider if a transaction goes ahead and may also charge a fee.

## **Managing General Agent (MGA)**

An MGA acts as underwriter for the insurer. The MGA is not the insurer; claims are paid by the insurer but may be handled by the MGA. There are several MGAs, for example: CLI, ISIS, Blue Button, LIS (Goodtitle), DUAL, CLS, Lime Risk, MXU, Westcor, L&C and GCS. The MGA is paid commission for performing the underwriting function.

## **Direct Insurers**

These are insurers who employ underwriters in-house and underwrite to their own account. There are fewer of these: Zurich, AVIVA, First Title, and Stewart Title.

## **A Few Considerations:**

### MGAs

The MGA will operate through a delegated authority from the insurer principal/carrier. That agreement will usually govern fundamental issues such as the type of risks to be insured and limits of cover and will dictate when referrals for decisions are to be made, along with other operational issues. These 'binders' can be entered into on a rolling basis, which means MGAs can lose their carriers, and at relatively short notice, creating difficult investment decisions for MGAs which could, in turn, affect resource and service levels/performance. There is naturally an onus on the MGA to underwrite profitably. Since the MGA is paid to underwrite, this may impact the appetite of the MGA and could also be a barrier to reduced premiums (with both insurer and MGA having to earn a profit from the premium). This may be exacerbated when the commission to brokers is factored in.

### Direct Insurers

The long-term nature of this cover can be a challenge for composite or general insurers who are much more accustomed to dealing with renewal business. This should not be an issue for those insurers who specialise in title insurance globally though. Arguably, direct insurers are better able to compete on premium since they retain the whole premium and are better placed to be creative around risk acceptance, not being potentially constrained by delegated authorities.

## General Observations:

An MGA can act for more than one insurer: DUAL acts for many (Chaucer, Accredited, AXA, RSA, AVIVA/Norwich Union). Some insurers accept business from more than one MGA: CLI, ISIS Blue Button and LIS underwrite for Liberty. DUAL and Westcor underwrite for AXA and Chaucer.

Some MGAs are owned within the same group; ISIS and Blue Button are wholly owned subsidiaries of CLI.

***“A broker should be able to deal quickly, compare products and encourage competition, thus helping you discharge your regulatory responsibilities when arranging insurance.”***

Although the total market premium for legal indemnities is quite modest there are many players creating, perhaps, a surprising level of complexity, all motivated no doubt by the healthy levels of profit available. Using a broker can assist when it comes to understanding the various arrangements at play. A broker should be able to deal quickly, compare products and encourage competition, thus helping you discharge your regulatory responsibilities when arranging insurance.

Should you wish to discuss any potential risk or have any questions, please contact Adrian Fisher ACII, Director, at JWL.

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