

The Hon Michael Daley MP
Attorney General



Ref: SGM25/3510

Mr David Sandig
Director
ABC Insurance
Level 36, Governor Phillip Tower
SYDNEY NSW 2000

By email: [REDACTED]@abcinsurance.net.au

Dear Mr Sandig,

A handwritten signature in blue ink that reads "David".

Solicitors' Professional Indemnity Insurance Policies – *decision*

I refer to the following professional indemnity insurance (PII) policies submitted to me for approval by ABC Insurance Pty Ltd (ABC) in respect of the 2025-26 NSW solicitors' practising year pursuant to section 95 of the *Legal Profession Uniform Law Application Act 2014*: Primary layer policy wording and Run Off wording for ceased law practices (together, the ABC Policy).

I do not approve the ABC Policy.

In reaching this decision, I have had regard to:

- The type of policy.
- The level of insurance provided by the ABC Policy.
- The terms and conditions of the ABC Policy.
- The identity of the insurer.
- The objectives of Part 4.4 of the Uniform Law.
- Matters identified by ABC and stakeholders that are relevant to the matters above.
- The effect that approving the ABC Policy may have on key market features including premium affordability, premium stability and market stability, and the public interest in those features.

I have considered the public interest factors for and against approving the policy, including the following:

- Competition in a market can drive premium decreases and policy innovation. However, the Solicitors' PII market has some special features that may impede the full benefits of competition.
- The Deloitte modelling suggests in the short-term some NSW solicitors (ABC's customers) would benefit from lower premiums due to their lower risk profiles. That may


have the benefit of better aligning risk and premium costs, producing a more efficient and equitable market.

- Competition could drive lower administrative costs and efficiencies in the insurers, though the Deloitte modelling suggests this is not likely to result in premium prices being lower in the medium to long-term.
- The existing market arrangement has proved stable, the costs are reasonable and in line with some (but not all) jurisdictions. NSW solicitors can currently access PII cover.
- There is a risk that over time premium levels would return to existing levels and be somewhat higher due to the introduction of new marketing and search costs. This effect is modest but real and undermines the theoretical benefits of competition.
- There is a substantial risk of premium volatility, and more general market volatility as new insurers come and go based on the viability of the market to provide profit. Volatility in the PII market has historically caused significant problems for legal practitioners and consumers of legal services, and necessitated significant government intervention.
- Risk management activity may decrease exposing consumers to a greater extent.

On balance, I consider that the public interest is best served by retaining the current market structure for the 2025-26 solicitors' practising year, with Lawcover Insurance Pty Ltd as the sole provider of the minimum, compulsory layer of PII cover to solicitors and law practices who practise solely in NSW.

The Department of Communities and Justice will publish the redacted version of the Deloitte report provided to you by the Department on 17 January 2025 (re-sent on 25 February 2025), so that it is publicly available.

Sincerely,



Michael Daley MP
Attorney General