

**Direction 118 issued under Part 3 of Schedule 4 to the Legal Services Act 2007 to CILEx Regulation**



1. This is a direction issued pursuant to paragraph 19(3) of Schedule 4 to the Legal Services Act 2007 (the Act).
2. Unless stated otherwise, words in this direction are used as they are defined in the Act.
3. In accordance with paragraph 19(3) of Schedule 4 to the Act, the Board has directed that the following alterations to regulatory arrangements be treated as exempt alterations for the purposes of paragraph 19(2)(c) of Schedule 4:

*CILEx Regulation: Professional Indemnity Insurance (PII) Minimum Wording*

*Proposed changes*

4. Two sets of technical alterations to the CILEx Regulation PII Minimum Wording to align the rules with the Insurance Act 2015 (the “2015 Act”) and to reflect previously agreed changes with Qualifying Insurers.

*Insurance Act 2015*

5. The Insurance Act 2015 came into effect on 12 August 2016. Among other reforms to insurance contract law, the Act reformed the insured’s duty of disclosure in relation to non-consumer contracts for insurance. In line with these changes, CILEx Regulation proposes to introduce the 2015 Act’s new duty for insured firms to make a “fair presentation” of the risks to insurers. CILEx Regulation say that the proposed changes will ensure consistency in the protection offered to consumers by adopting a standard for disclosure that is applied across the legal sector.

*Qualifying Insurers agreements*

6. These alterations place into regulations changes previously agreed with CILEx Regulation Qualifying Insurers in 2015 and 2017. They cover the deletion in the rules of the premium percent relating to run-off cover, on the basis that this should be set by the market rather than be imposed by the regulator. They also add a provision for insurers to pay the excess if not recoverable from the entity.
7. The substantive relevant alterations for both sets of changes are within sections 1.3; 3.1; 3.3; 4.5; 5.1; and 6.7 of the CILEx Regulation PII Minimum Wording.

*Reason for exemption direction*

8. There is no change to the regulatory policy or approach to CILEx Regulation’s insurance regulations. The proposed alterations are technical in nature and are being made to comply with primary legislation, and to align the minimum terms with Qualifying Insurers agreement.
9. A copy of the alteration was submitted to the Board as a full rule change application on 24 August 2017.
10. This direction is to be deemed made on and to be effective from 19 September 2017.