

Solicitors Regulation Authority PSYROC – Analysis of options

John Charles

19 November 2021

19 November 2021
Chris Handford
The Cube
199 Wharfside Street
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Dear Mr. Handford,

Pursuant to our Statement of Work with the SRA, dated 9 August 2021, please find enclosed our report on Analysis of options for post 6-year run-off cover for UK solicitors.

Attention is drawn to the distribution, reliances and limitations of our work.

At your request, we consented to the publication of this report alongside the SRA's own related consultation. For the avoidance of doubt, Towers Watson Limited ("Willis Towers Watson" or "we") does not assume any responsibility, nor accept any duty of care or liability to any third party who may obtain access to a copy of this document; any reliance placed by such party is entirely at their own risk.

We remain available to answer the SRA's questions that may arise regarding this document. We assume that the reader of this report will seek such explanation on any matter in question via the SRA.

Your sincerely



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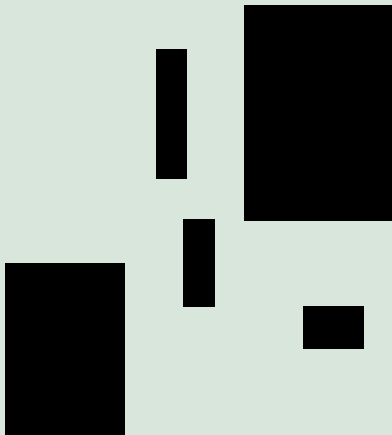
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Purpose, Reliances and Limitations



Purpose, Reliances and Limitations

Purpose

- This document was prepared by Towers Watson Limited (“Willis Towers Watson” or “we”) for the Solicitors Regulation Authority (“SRA”) to use in the context of its consideration of options for the future arrangements for post 6-year run-off cover for UK solicitors in accordance with the terms of our Statement of Work dated 9 August 2021. This document is not intended nor necessarily suitable for any other purposes and we accept no responsibility for any such use.
- This document must be considered in its entirety as individual sections may be misleading if considered in isolation.
- We are available, with instruction from the SRA, to answer any questions that may arise regarding this document. We assume that the reader of this report will seek such explanation on any matter in question via the SRA.

Purpose, Reliances and Limitations

Distribution and use

- This document was prepared for the SRA's sole and exclusive use and on the basis agreed with SRA. It was not prepared for use by any other party and may not address their needs, concerns or objectives. That said we have agreed that the report may be published as part of the related SRA consultation. We do not assume any responsibility, nor accept any duty of care or liability to any third party who may obtain access to a copy of this document; any reliance placed by such party is entirely at their own risk.
- Draft versions of this document should not be relied upon by any person for any purpose.

Purpose, Reliances and Limitations

Reliances

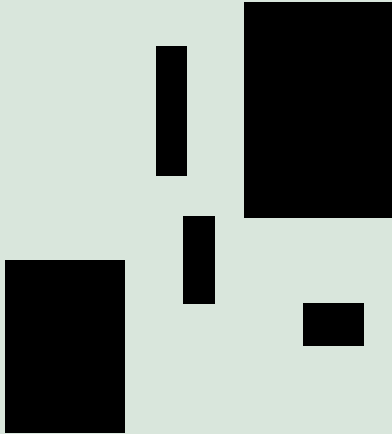
- In developing this document, we have relied on historical data and other quantitative and qualitative information supplied by SIFL and the SRA. We have not independently audited nor verified this information; however, we have reviewed it for general reasonableness and consistency with our knowledge of the insurance industry. We have assumed that the information is complete and accurate.
- The accuracy of our findings is dependent upon the accuracy and completeness of the underlying data. Therefore, any material discrepancies discovered in this data should be reported to us and this report amended accordingly, if warranted.

Purpose, Reliances and Limitations

Limitations

- At your request, we have provided you with advice on PSYROC options. You understand that this advice has been developed within a limited timeframe and as a result may not be as comprehensive as it might have been had we had more time to consider the matters raised.
- This document was prepared for use by persons technically competent in the areas addressed and with the necessary background information. We are available to answer the SRA's questions that may arise regarding this document. We assume that the SRA will seek such explanation on any matter in question.
- The user should take note of additional limitations discussed in the report. In particular, we have made simplifications and approximations in our modelling that we consider appropriate for the context of this work. The user should also be aware that the SIF claim data on which our analysis is based is as at 30 April 2021 and the emerging experience since that date is likely to lead to changes in our projections. However, from an overall perspective, we consider that the projections provide a reasonably representative indication of expected outcomes.

Impact Assessment



Impact of ending collective PSYROC cover with no replacement

Firms and solicitors potentially affected

- SIF provides partial Extended Reporting Cover up to a proposed cut-off date of 30 September 2022 in respect of practices that cease after 1 October 2000. The SIF cover is provided on a claim made basis meaning that claims are only covered if they are notified during the period that cover is being provided by SIF.
- To date, the SIF historical claim reporting tail for ceased practices has extended up to 26 years after practice cessation. For illustration purposes we will use a maximum reporting period of 25 years post cessation for PSYROC claims. That said, although it is unlikely, there may be circumstances under which this may be exceeded.
- The long exposure duration means that the closure of SIF cover without an alternative arrangement being put in place creates uncovered exposure to potential claims for all solicitors from ceased practices without a successor practice (“ceased practices”) since the start of the open market for minimum terms and conditions (“MTC”) solicitors professional indemnity insurance from 1 October 2000.
- The number of ceased practices from 1 October 2000 to 30 September 2021 is around 9,000.

Impact of ending collective PSYROC cover with no replacement

Uncovered claim cost impact as at 30 September 2022

- If SIF is closed to new claims notifications from 30 September 2022, then in respect of ceased practices up to that date, we project that 359 non-zero claims at a total claim cost of £12.4m would not be covered. These claims will emerge over many years and are expected to be fully notified by the end of 2048. The split of this amount between pre- and post-2016 cessations is set out in the table below. The underlying analysis to derive these estimates is summarised in Appendix 3.1.
- In this context we note that the historical proportion of nil claims (or denied claims) is approximately 50% which would imply that the number of claims under PSYROC would be around 720 although only half of these are expected to result in valid claims.
- This analysis does not consider exposures from cessations after 30 September 2022 which is discussed on the next slide.

Estimated claimant and claim settlement cost exposures

	Number of valid claims	Claim Costs
Pre-2017 cessations	176	£6.0m
2017-2022 cessations	184	£6.4m
Total	359	£12.4m

- Pre-2017 cessations will have expired the 6 year open market coverage and may potentially notify claims before 30 September 2022.
- 2017-2022 cessations are latent in the sense that they will not yet have reached the point at which their PSYROC claim exposures will have begun to report as at 30 September 2022.

Impact of ending collective PSYROC cover with no replacement

Annual expected claim cost exposure for 2022/23 indemnity year¹ onwards

Note: ¹ Indemnity year 2023 refers to the calendar period 1 October 2022 to 30 September 2023 and so on.

- On an ongoing annual basis, the cost of PSYROC exposures is challenging to estimate because, apart from inherent volatility, the claims experience in recent years may have been affected by the financial crisis. We selected high and low indications which could be taken as reasonable indications of probable underlying (normalized) expected claim costs for practices that cease in 2022/23. We assume that the claim amounts in subsequent indemnity periods escalate over time due to inflation at 3% p.a.

Expected indemnity cost for ceased practices during the 2023 indemnity year

	Number of Claimants	Claim cost	Average Cost
Lower indication	23	£0.895m	£38.6K
Mid-case indication	31	£1.182m	£38.6K
High-case indication	38	£1.470m	£38.6K

- The actual future claim experience will depend on the evolution of the risk over time and regulatory actions and responses including the numbers of ceased practices in each year. The projections indicate that the risk is relatively small in relation to the scale of the underlying activity of solicitors.
- The above figures exclude administrative and claims handling costs which may apply to any vehicle providing coverage and should be considered as indicative of scale.
- Due to open market coverage, these claims would be notified from 2030 onwards.

Impact of ending collective PSYROC cover with no replacement

Post-2022 notification period projections

Indemnity year	Incremental Claims Notified During Year		
	Non-Nil Claim Numbers	Ultimate Claim Amounts (£m)	Average Cost per Claim (£k)
2001-2022	335	8.5	25.3
2023	45	1.7	36.8
2024	38	1.2	32.7
2025	37	1.2	32.0
2026	34	1.1	33.0
2027	33	1.1	33.8
2028	32	1.1	34.4
2029	31	1.1	34.8
2030	31	1.1	35.1
2031	31	1.1	36.0
2032	31	1.1	37.2
2033	31	1.2	38.8
2034	31	1.2	39.9
2035	31	1.3	40.6
2036	31	1.3	41.9
2037	31	1.3	43.0
2038	31	1.4	44.2
2039	31	1.4	45.5
2040	31	1.4	46.8
2041	31	1.5	48.3
2042	31	1.5	49.7
2043	31	1.6	51.2
2044	31	1.6	52.8
2045	31	1.7	54.4
2046	31	1.7	56.0
2047	31	1.8	57.7
2048	31	1.8	59.4
2049	31	1.9	61.2
2050	31	1.9	63.0
2051	31	2.0	64.9
2052	31	2.0	66.9

Cumulative Notifications Post 2022		
Non-Nil Claim Numbers	Ultimate Claim Amounts (£m)	Average Cost per Claim (£k)
45	1.7	36.8
83	2.9	34.9
120	4.1	34.0
154	5.2	33.8
187	6.3	33.8
219	7.4	33.9
250	8.5	34.0
281	9.6	34.1
312	10.7	34.3
343	11.8	34.6
374	13.0	34.9
404	14.3	35.3
435	15.5	35.7
466	16.8	36.1
497	18.1	36.5
527	19.5	37.0
558	20.9	37.4
588	22.3	37.9
619	23.8	38.4
650	25.3	39.0
680	26.9	39.5
711	28.5	40.1
742	30.2	40.7
772	31.9	41.3
803	33.6	41.9
833	35.5	42.5
864	37.3	43.2
895	39.3	43.9
925	41.3	44.6
956	43.3	45.3

- An alternative way of considering the impact of discontinuing SIF coverage is to consider the cost of notified claims that would be covered if the claims made coverage provided by SIF were to continue.
- Accumulated PSYROC notifications up to 30 September 2022 are shown in the first row.
- The incremental figures show year-by-year claim notifications, settlement costs and average claim costs as they are expected to emerge over future indemnity year calendar periods. There is a relatively small expected annual cost of £1.0m to £2.0m per annum for each of the next 30 years with expected claim counts of between 30-45 claims p.a.
- The cumulative figures show the same information but on an aggregated basis from 30 September 2022 onwards. Quantification of the impact of the change depends on the time horizon selected. For example, after 10 years the cumulative costs that would have been covered are £11.8m from 343 claims.
- There is a limitation in this analysis in that there is a significant element of exposure that remains potentially uncovered if claims made cover were to cease. We consider this further on the next slide.

Impact of ending collective PSYROC cover with no replacement

Future notification period projections

Indemnity Year	Claims Notifications Post 2022		
	Incremental Payments (£m)	Cumulative Payments (£m)	Unpaid Claims (£m)
2001-2022			
2023	0.240	0.240	1.418
2024	0.617	0.857	2.042
2025	0.791	1.648	2.427
2026	1.049	2.697	2.509
2027	1.256	3.953	2.364
2028	1.147	5.100	2.319
2029	1.124	6.223	2.287
2030	1.105	7.328	2.264
2031	1.098	8.426	2.274
2032	1.104	9.531	2.316
2033	1.122	10.653	2.388
2034	1.150	11.803	2.467
2035	1.184	12.987	2.534
2036	1.219	14.206	2.602
2037	1.254	15.460	2.667
2038	1.285	16.744	2.735
2039	1.318	18.062	2.812
2040	1.355	19.418	2.893
2041	1.393	20.811	2.979
2042	1.434	22.245	3.068
2043	1.477	23.722	3.159
2044	1.521	25.244	3.254
2045	1.567	26.810	3.351
2046	1.614	28.424	3.452
2047	1.662	30.086	3.555
2048	1.712	31.798	3.662
2049	1.763	33.562	3.772
2050	1.816	35.378	3.885
2051	1.871	37.249	4.002
2052	1.927	39.175	4.122

Post-2000 Cessations to date	
Uncovered Exposure (£m)	Unpaid Exposure (£m)
12.428	14.029
11.952	13.370
11.929	13.971
12.007	14.434
12.169	14.677
12.387	14.752
12.657	14.975
12.977	15.263
13.349	15.612
13.738	16.012
14.134	16.450
14.528	16.917
14.936	17.403
15.370	17.905
15.820	18.422
16.290	18.957
16.779	19.514
17.281	20.093
17.798	20.692
18.332	21.311
18.882	21.950
19.449	22.608
20.032	23.286
20.633	23.985
21.252	24.704
21.890	25.445
22.547	26.209
23.223	26.995
23.920	27.805
24.637	28.639
25.376	29.498

- This slide shows the incremental and cumulative claim payments in respect of Post-22 claim notifications up to 2052 (30 years) and the unpaid claim amounts that would relate to notified claims at the end of each calendar indemnity period (residual tree stump at each point – see Pages 23-25).
- We also show the projected amount of uncovered claim exposure (costs from underground tree stump roots) from ceased practices up to the end of each indemnity year that would apply if claims made coverage were to cease at that point.
- The figures indicate a relatively low level of expected unpaid claims for notified claims as would be recorded by an insurer providing claims made coverage.
- The unpaid exposure is the sum of the unpaid notified claims and the uncovered exposure from future claims from the ceased practices at the end of each indemnity year. The amounts involved are materially larger than the unpaid claims in respect of claim notifications.
- A limitation of our analysis is that the cash flow projections are smoothed and could tend to be faster than may be experienced in practice so the unpaid amounts may tend to be understated. The projections also do not allow explicitly for spikes from individual large losses. Our priority in projection was focused on the ultimate expected costs as opposed to the timing and variability of cash flows.

Impact of ending collective PSYROC cover with no replacement

Breakdown of historical costs

Historical breakdown of costs by activity Open Market/SIF all years (See exhibit 1.1.1)

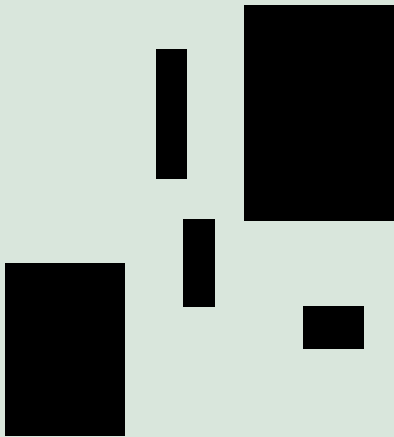
Conveyancing	64% - 74%
Other	14% - 21%
Trust Wills and Probate	10% - 11%
Personal Injury	1% - 3%
Litigation	0% - 2%

Historical proportion of costs by duration of notification (see Exhibit 4.1 P8)

More than 14 years post-cessation	16%
More than 10 years post-cessation	55%
7-9 years post-cessation	24%

- The breakdown of costs by activity shows that costs are dominated by conveyancing and Trust, Wills and Probate. A non-trivial proportion of business is classified as Other.
- The proportion of costs by duration of notification indicate that most claims are reported within 10 years of cessation but that only a small minority of costs account for claims from 15 years post-cessation and after. Note that the reported claims by duration shown in Exhibit 1.1.6 will be weighted towards earlier notification periods because the data has not fully developed.

Claimant Analysis



Claimant analysis

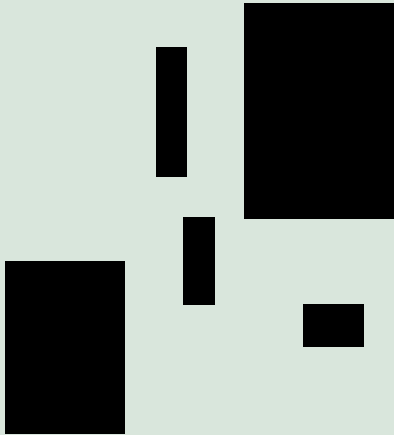
Claimant characteristics

- We expect that the claimants are likely to be individual members of the public who have received services from solicitors.
- Limitation: no detailed data is available to us on the characteristics of claimants; qualitative indications from dialogue with SIF management indicate that most claimants are individual members of the public although claims from corporates are possible as there have been a small number of claims from banks.

Breakdown of activities giving rise to claims

- We have some data on the breakdown of activity by type of work: (See Exhibit 1.1.1)
 - Conveyancing (64%-74%)
 - Trust & Wills (14%-21%)
 - Other (excluding Trust and Wills) (12%-15%)
- Other forms of claims have arisen from child personal injury and matrimonial claims.
- The nature of this work suggests that the claimant profile is likely to be dominated by individual members of the public.

Claim Exposure Considerations



Claims Exposure Considerations

Background

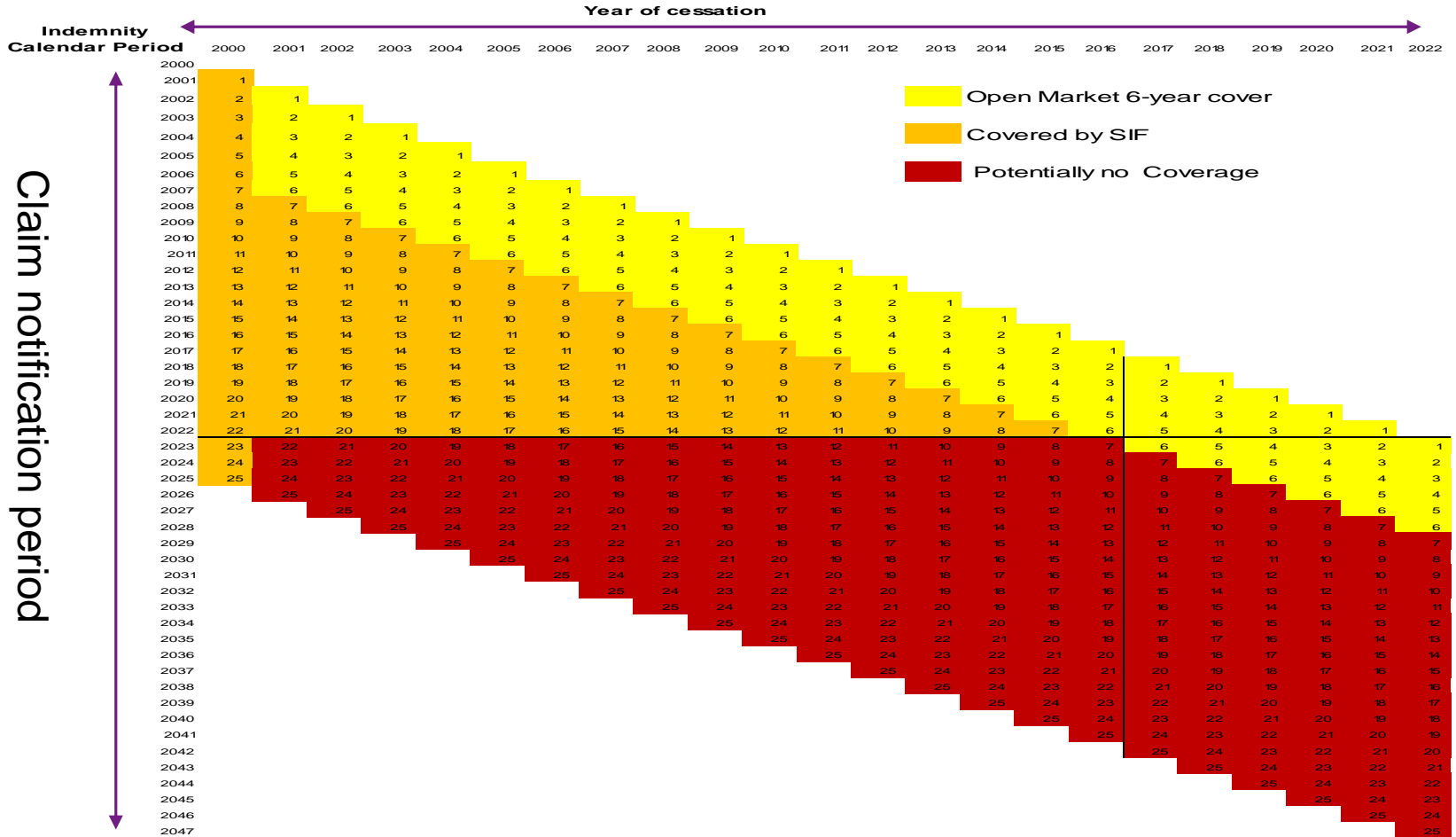
- This section is key to understanding the nature of the underlying claim exposures and the nature of the coverage currently provided by SIF.
- Prior to the open market, the coverage provided by SIF covered solicitors for all loss events (irrespective of when they are notified) that occur with each indemnity year. This is equivalent to “claims occurring” coverage.
- Under the terms of the MTC, open market insurers provide indemnity cover in respect of claims made (notified) in the policy year. This means that if a practice ceases without a successor firm, then there is potential for a gap in coverage arising from claims notified after the year of cessation.
- To address this gap, under the MTC, open market insurers are required to provide extended reporting cover (ERC) for 6 years after a practice ceases without a successor firm. This requirement is mandatory and applies even if the ceased firm is either unable or unwilling to pay the required premium.
- After the 6-year open market ERC period has expired, solicitors would require Post-6-year run-off cover (PSYROC) in order to be have cover to meet claims which may be subsequently notified.
- In 2004, the Law Society decided to use residual funds for SIF to provide PSYROC cover initially for claims notified up to 30 September 2017. The SRA has since agreed with SIF to extend this up to 30 September 2022.

Claims Exposure Considerations

- The cover provided by SIF equates to an ERC up to 30 September 2022 irrespective of date of cessation.
- This results in uncovered exposures for all ceased practices after 1 September 2000 compared to comparable practices that ceased before that date.
- Because the SIF cover has been provided on a claims made basis with an expected cut-off date of 30 September 2022, the impact of ending SIF coverage is wider than would be the case if full PSYROC cover had been provided by year of cessation. In the latter case, practices ceasing beyond the closure date would be affected. In the former case, all ceased practices since the open market would have potential for uncovered exposure.
- The extent of the uncovered exposure increases progressively for practices that have ceased more recently with no PSYROC coverage available for practices that cease after 2015/16 once their open market 6-year ERC expires.
- The following slide provides a schematic illustration of the exposure and available coverage. The potential claim notification exposure period shown on the illustration on the following slide is 25 years post-cessation. The SIF claim data to date has a maximum notification delay of 26 years after cessation.

Claims Exposure Considerations

Illustration of Impact of SIF cut-off



Please review in conjunction with notes on next slide

Claims Exposure considerations

Illustration of impact of SIF coverage - Explanatory Notes

- The schematic breaks out the underlying claim exposure for each year of practice cessation (represented by a 25-year long column) by year of claim notification. It illustrates the way in which the underlying exposure from different cessation years interact with the claim notifications in individual indemnity calendar periods (represented by rows).
- For ceased practices prior to 2001 indemnity year full PSYROC run-off cover was effectively provided by SIF as part of losses-occurring coverage. This is illustrated by the first column for the year 2000.
- With the open market from indemnity year 2000/01 (2001) onwards, 6-year extended reporting cover is provided by the open market for ceased practices. This is illustrated by the yellow highlighted years of claim notification exposures in the 6 indemnity years after each year of cessation.
- The SIF claim-made coverage for practice cessations from 2001 onwards commences exposure in indemnity year 2007 which would only have arisen from 2001 practice cessations.
- Each year as more ceased practices go past the 6-year open market ERC then SIF's exposure to post 6-year claim reporting increases and by 2022 eligible claims notifications can arise from ceased practices from 2001 to 2015.
- The red highlighted cells show the exposures that would remain uncovered if there is no replacement to the SIF cover.

Claims Exposure Considerations

A growing tree stump analogy to aid understanding (1 of 3)

- The underlying claim exposure of solicitors from ceased practices represented by the schematic for post-open market cessations can be thought of as a growing tree stump with underground roots which also grow over time and transition into future tree stump above ground. Ideally one would remove the tree stump but the nature of this tree stump is that it can only be managed over time because additional roots form each year.
- The passage of time determines the extent to which the tree stump is visible above ground. The tree stump changes shape and size over time. For example, in the prior illustration on Page 21, ground level at the end of the 2022 indemnity year is marked by a black horizontal line with the brown and red shaded elements being above and below ground respectively.
- The post-2001 SIF PSYROC coverage is on a claims-made basis and effectively takes care of the tree stump that is above ground under this analogy.
- As there are naturally delays in the settlement of reported claims, the tree stump can be “dressed” by removing parts of the stump over time (claim payments). The schematic on Page 21 does not illustrate this element as it shows only the aggregate exposure above ground. However, on Page 25 we have an illustration which separates this element.
- Unreported claim exposures at each point in time are below ground as roots (in red at the end of 2022). These claim exposures will eventually emerge but they remain invisible or below ground level until they are reported.

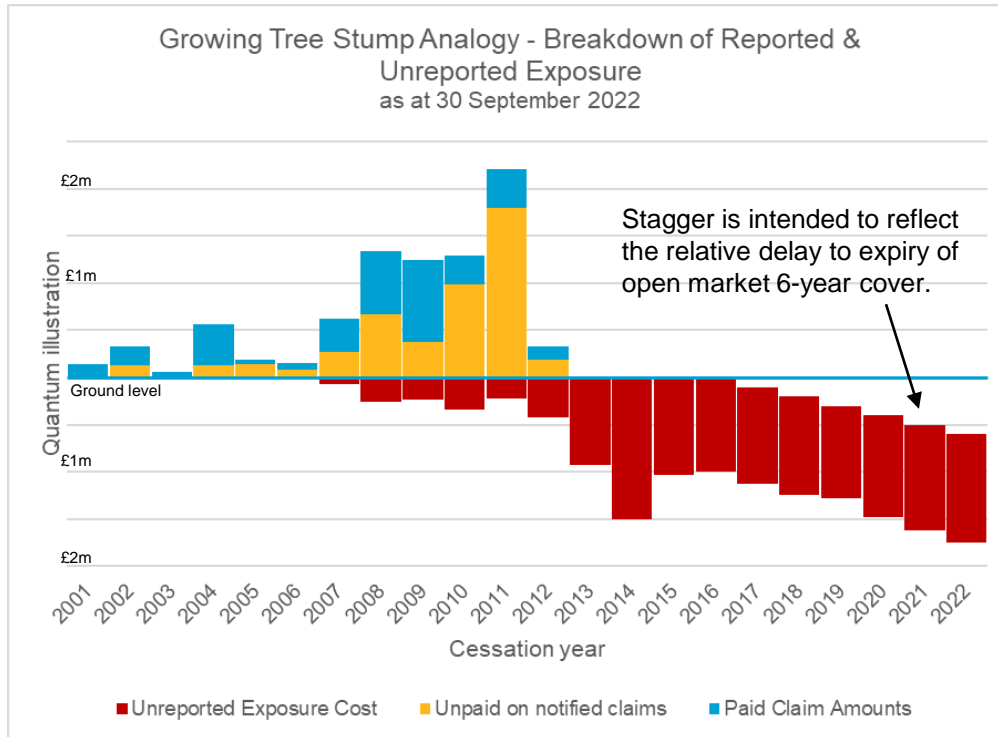
Claims Exposure Considerations

A growing tree stump analogy to aid understanding (2 of 3)

- After each indemnity year additional roots (columns) are created from the exposure from the ceased practices in that period. It takes until after the 6th year post-cessation for a new root to begin to rise above ground level and 25 years (say) to become fully visible above ground. Visible elements of the stump are removed as notified claims are paid.
- Irrespective of any prospective decisions that may be made by TLS or the SRA with respect to future coverage, the roots of the tree stump (unreported exposure to future claims from individual members of the public) will continue to grow over time and additional elements will continue to be reported and rise above ground.
- If SIF PSYROC coverage is discontinued with effect from 30 September 2022 and no alternative replacement coverage arrangements are made then there will be increased uncertainty for former solicitors from ceased practices in retirement from the possibility of future claims being made against them. There will also potentially be increased uncertainty for future claimants who report claims after 30 September 2022 as they will be claiming against individual solicitors as opposed to a fund or an institution that is established to meet such claims.

Claims Exposure Considerations

A growing tree stump analogy to aid understanding (3 of 3)



- The diagram illustrates the breakdown of the total projected claims exposure as at 30 September 2022.
- The blue and yellow (visible) components above ground represent paid (removed elements) and unpaid amounts from claims notified as at 30 September 2022. In aggregate this comprises projected unpaid amounts on notified claims of £4.8m and the payments made on these claims to date of £3.7m. Cover for these notified elements amounting to £8.5m is effectively met by SIF up to 30 September 2022.

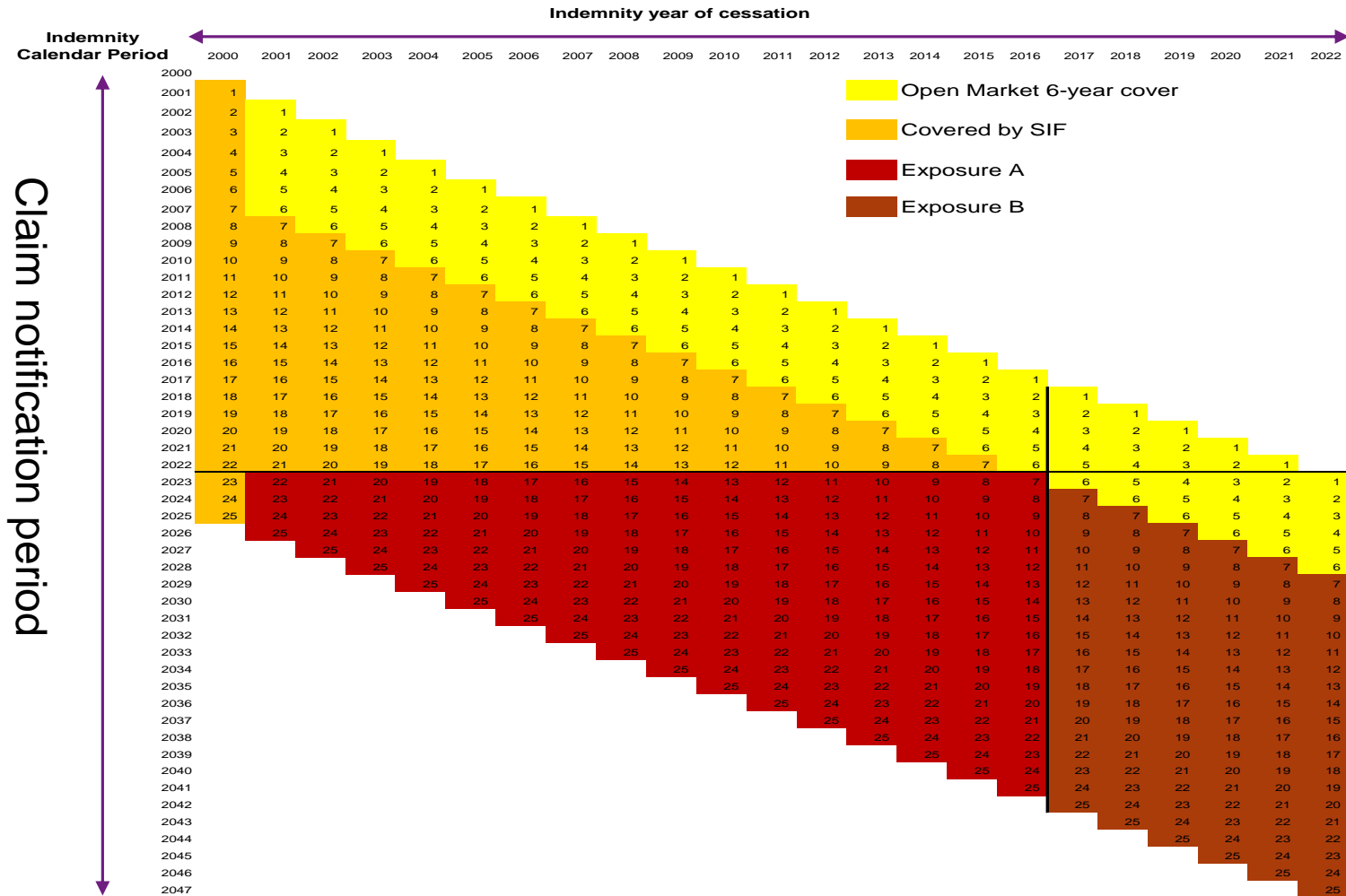
- The roots of the tree stump are shown by red bars below ground and represent the tail of unreported claims of £12.4m from ceased practices from 2001 to 2022 as at 30 September 2022. In subsequent indemnity periods, additional roots (columns) are expected to grow at an average cost of £1.2m pa in 2022/23 escalating at 3% pa.
- Note that the diagram is effectively a snapshot as at 30 September 2022 and the size and shape of the exposure will vary at future periods.

Claims Exposure Considerations

- The following schematics illustrate uncovered exposures for ceased practices up to 30 September 2022 that would result if SIF were closed as at that date without alternative replacement coverage arrangements. The second shows the PSYROC coverage that would have been required by solicitors from ceased practices in order to achieve full coverage of their exposures.
- Exposure A relates to the uncovered exposure from practices that ceased during indemnity years 2001 to 2016 whose 6-year open market ERC will have already expired by 30 September 2022.
- Exposure B relates to the uncovered exposure from practices that ceased during indemnity years 2017 to 2022 which will be within the 6-year open market ERC on 30 September 2022. No PSYROC claims from these ceased practices can be notified to SIF before 30 September 2022.
- SIF's capital buffer may potentially support coverage of PSYROC exposure beyond 2022. As coverage has a cost and SIF's residual capital buffer is finite, then this capital buffer would systematically reduce to nil or could become negative without further recourse to funding. The Scenario Analysis section provides a prospective illustration of how future funding and coverage could be approached.

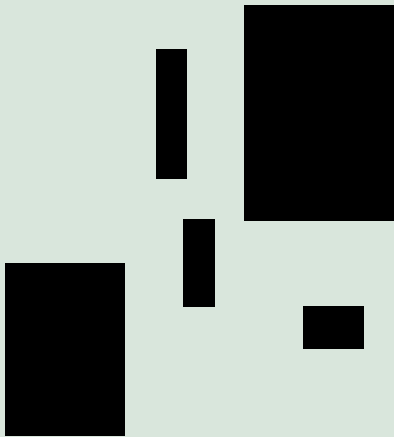
Claims Exposure Considerations

PSYROC claim exposures not covered by SIF cut-off as at 30 September 2022



Claims from Exposures A and B are projected to cost £6.0m and £6.4m respectively.

Potential Options



List of potential options

Summary of options :

- 1. Open Market Cover
- 2. Dedicated fund to provide indemnity coverage
- 3. TLS or SRA arranges master cover with a selected insurer

Option 1: Open Market cover

Intro

Insurance market

- In the context of the insurance market, the small scale of the PSYROC risk and its volatility is such that it is unlikely to be attractive to the insurance market on an open market basis and is unlikely to be delivered in a price-competitive manner to individual solicitor firms if purchased at that level.
- It is possible that the management of the claims could be out-sourced to an insurer. This could be extended to include risk transfer within defined financial parameters. However, these parameters are likely to be more demanding than a collective self-insurance arrangement for this to become an attractive proposition for an insurance partner.
- The inherently long-tailed nature of the claims reporting, with claims potentially being reported 26 years after practice cessation, also reduces the attractiveness of the run-off risk from an insurer's perspective.
- Hypothetically, the risk could be transferred to the open market in future if MTC coverage were extended to cover run-off on a year of cessation basis. However, this is not considered a realistic possibility. The insurance market remains unwilling to provide PI cover on this basis because of the very long-tailed nature of the exposure.

Option 1: Open Market cover

- If no alternative collective cover is provided for run-off claim exposure then solicitors from ceased practices will have an insurance need for PSYROC which could hypothetically be met by the open insurance market.
- Our understanding is that insurers have shown little interest in providing such cover to solicitors and it is difficult to envisage insurers entering this market without a clear incentive to do so.
- The challenges of open market insurance solutions include:
 - The aggregate annual risk is small so even if high margins were achieved the impact is not likely to be significant to insurers
 - On a disaggregated basis, the risk at individual practitioner and practice levels is considerably more volatile than for the profession as a whole
 - The claim reporting tail is extremely long-tailed
 - Some practices that give rise to claims cease (without a successor) in distressed circumstances which would render them unattractive risks from an external insurance perspective with limited (if any) premium-paying ability
 - A more likely solution could be for the profession to negotiate terms for a bulk policy with one or two (say) third party insurers.
 - Frictional costs from insurance premium tax (IPT) are likely. The standard rate of IPT is 12%
- Open market insurance solutions under which individual firms purchase cover are likely to be much more costly than aggregated coverage options for the above reasons.

Option 1: Open Market cover

- Under this scenario, individual firms or solicitors would need to purchase PSYROC upon cessation or would need to bear the risk of future claims themselves. We understand that the insurance market has shown little interest in participating in open market coverage.
- Cover is unlikely to be available to many solicitors from practices which have already ceased and insurers are likely to be reluctant to offer terms to newly ceased practices.
- The small overall scale of the risk means that the potential premium revenues are relatively low in the context of the overall solicitor population although the costs when borne by individual solicitors or firms at the point of cessation will naturally be more significant.
- There are wider reputational, ethical and policy considerations that can arise from the potential unavailability of PSYROC cover for claims notifications after 30 September 2022. In accordance with the requested scope of our review, we have not commented on these issues. We understand that the SRA intends to address these matters as part of its consultation.

Option 2: Dedicated fund to provide indemnity coverage

Affordability

- The cost effectiveness of a dedicated fund depends on the ability of the fund to establish a commercially reasonable financial basis for providing cover on an ongoing basis whilst controlling expenses.
- The fund could be established as a statutory fund with the functionality to meet future PSYROC needs. An alternative could be to establish a discretionary fund with a view to potentially leveraging the administration of existing discretionary fund arrangements. Such funds would need access to additional funding which could be raised by levying the profession.
- A dedicated fund operating on a commercially-based going concern basis is a viable approach to providing continuing future indemnity coverage to the profession.
- On a going concern basis, if there were to be a guarantee of support and/or an appropriate remediation policy in the event of a significant asset short-fall then a lower level of capital security than currently adopted by SIF could be applied for the underlying risk. This is particularly the case if funding levels are targeted to match underlying claim exposures on a cessation year basis.

Option 2: Dedicated fund to provide indemnity coverage

Costs Ratios

- Due to the relatively small cost of annual indemnity coverage, any future funding operation would be small in scale. Given this, fixed costs may be relatively high in relation to the annual underlying indemnity accruals. However, the administration overhead should be considered in the context of the total funds under management which as at 30 October 2020 were around £30m. The SIF annual administration cost is then around 2%-3% of funds under management which seems reasonable in the context of complex fund management charges.
- It is reasonable to challenge whether alternative models could be more efficient, for example a master policy with an insurer. This may become a more feasible option in time. That said, it would appear that there is very limited, if any appetite in the market for this risk and this is likely to mean that rates are unlikely to be competitive.
- We have assumed relatively high claims administration cost ratios to claim costs of 15% in line with SIF's provisions to reflect the potential for complexities in dealing with cases where there may be limited information that is readily available.
- It is worth noting that costs must be viewed in the context of value-add as there can be false economies if processes become inferior in quality because of cost-cutting which can lead to increases in claim costs for example.

Option 2: Dedicated fund to provide indemnity coverage

Affordability

- On a best estimate basis, for the liabilities, we envisage that there would be a residual surplus of around £25m left on the basis of SIF's obligations. Were full PSYROC coverage of Exposures A and B granted to practices that have ceased during the open market up to 30 September 2022, this would result in a residual surplus of around £12m.
- The expected annual cost of full run-off indemnity coverage for 2023 ceased practices is around £1.2m. Adding a loading for administration (of say between nil and £0.7m) and 15% claims handling then this could result in an initial expected cost ranging from £1.4m to £2.1m pa.
- An additional charge to finance capital margins would increase the annual cost and would depend on the targeted level of capital and any shortfall or surplus in actual capital and the period over which this is rebalanced.
- Over time, the charges would also be updated in light of emerging experience and variances in actual and targeted capital margins. Investment returns would also act as a cost-offset.
- If this option is chosen, we would suggest that from 2022/23 further funding to meet the cost of future cover is required because it is clearly unsustainable for the profession to continue to receive expanding coverage from the legacy of SIF's surplus without at some point providing additional funding to meet the underlying costs.

Option 2: Dedicated fund to provide indemnity coverage

Target Capital for ongoing fund

- Capital requirements are a function of risk appetite. Provided that there is a continuing commitment to fund accrued liabilities, then comparatively low capital requirements can be justified in the context of a continuing dedicated fund which does not have to capitalise itself as an insurer.
- Should any continuing PSYROC coverage provided by the fund be adjusted to a year of cessation basis then this would create an implicit funding buffer from shock losses because the 6 most recent years of cessation would not be eligible to claim although they would have been fully-funded after their year of cessation.
- If systemic unanticipated losses were to emerge under this operating model, then pricing and risk mitigation (possibly including regulatory actions) can be taken and allowed for on a prudent basis.
- There is some possibility of unforeseen risk accumulations. However, these can be mitigated by diligent risk monitoring in order to facilitate early regulatory interventions.
- On a cash flow basis, provided the liabilities are fully funded on a realistic basis, the long-tail of settlement means that the likelihood of the fund falling short of cash is extremely remote.

Option 2: Dedicated fund to provide indemnity coverage

Distribution of Funding Costs

There are options around this which could include:

- **Levy Professional Indemnity Insurance (PII) premium of firms:** if this premium is taken as a proxy for underlying risk of claims (although not necessarily for cessation without a successor): it may be easier to collect this information from insurers rather than relying on a declaration system from individual firms which is an alternative method of doing this?
- **Flat Member fees:** an indication of the scale of the expected annual cost per practising solicitor is, on the basis of 150,000 practitioners, or 10,000 firms employing solicitors is of the order of £16 annually per member or a per firm levy of the order of £240 per firm using the projected cost basis set out on Slide 43. The disadvantage of a flat rate approach is that it is not targeted at higher risk areas.
- **Targeted levy on a risk sensitive basis:** A levy on the basis of open market PII premium provides a proxy for this risk although it is subject to the limitation that the PII premium may not necessarily be a good proxy for the risk of cessation without a successor practice. However, a more risk-sensitive basis of levying firms and/or members would be to direct costs at the highest risk areas of work. This approach can be used to drive practitioner improvements to mitigate risk. The historical claim data provides adequate justification for a risk-sensitive pricing basis to counter challenges on equality grounds.

Option 2: Dedicated fund to provide indemnity coverage

Affordability

- An alternative funding approach is to continue to provide cover on a claims-made basis. In this case, because there are no covered exposures, the residual surplus from SIF would be around £25m.
- With an ongoing commitment to provide coverage, this surplus could be run-down over time and levy contributions by the profession deferred. However, the uncovered exposures (£12.4m at 30 September 2022) in respect of unfunded liabilities would increase over time and could create significant financial issues if the scheme were ever discontinued. At the present time, the profession is in the fortunate position that SIF's residual assets comfortably exceed the uncovered exposures. However, this is unlikely to remain the case in future, particularly if those assets were initially drawn down to provide continuing coverage on a claims made basis from 2022/23 onwards.
- By virtue of not fully funding expected claim costs that accrue from practices as they cease, this funding model has similarities to a pay-as-you-go ("PAYG") model. A PAYG funding model is a more extreme method of funding under which funding is targeted to be adequate, possibly with a buffer, to meet the expected cash out-flows for the next year.

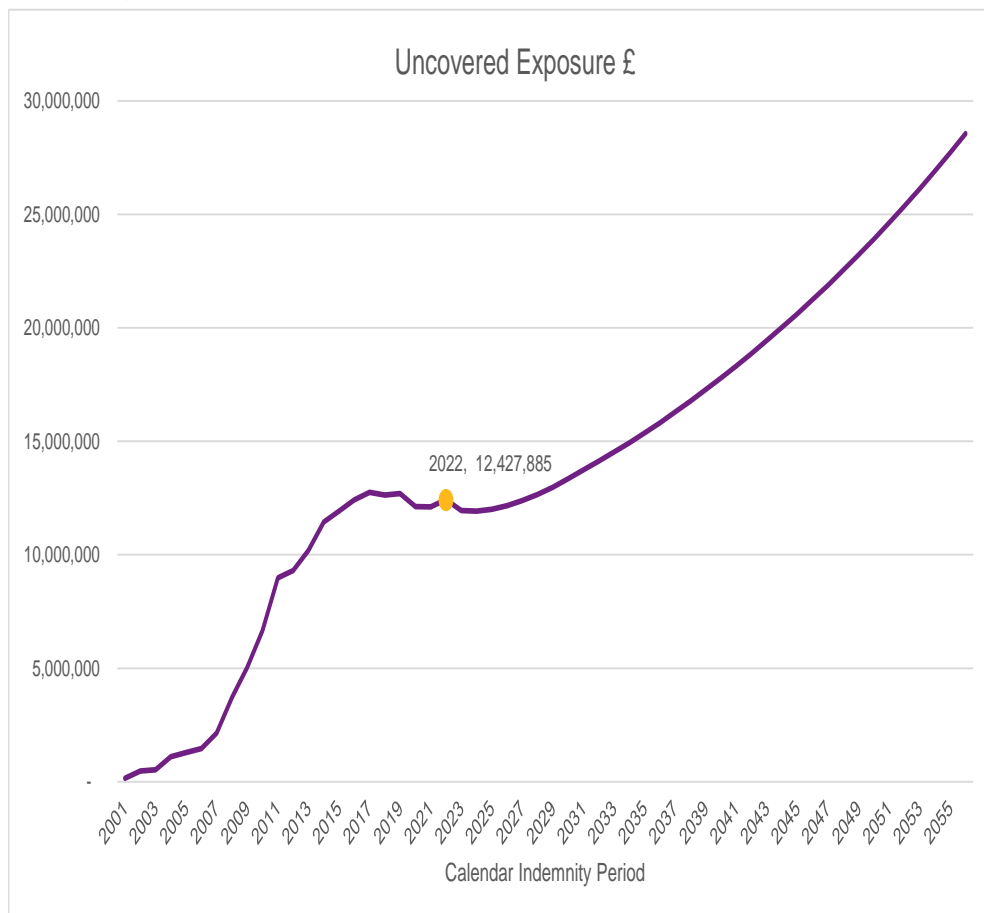
Option 2: Dedicated fund to provide indemnity coverage

PAYG Funding

- Under this approach, funding is on the basis of expected cash costs on a year-to-year basis. It is a relatively low cost basis of financing in the sense that liabilities are only funded just in advance of when cash flows are expected to be paid. PAYG is broadly equivalent to funding on a claims made basis but not holding funds to cover expected costs of notified claims. In practice, additional margins are likely to be held.
- On this basis, the SIF residual funds would be expected to meet expected cash flows from claim notifications after 30 September 2022 for more than 10 years and the profession could therefore benefit from additional deferral of contributions while maintaining coverage.
- However, a PAYG approach has the significant disadvantage that it would lead to the accumulation of large unfunded claim liabilities (£16.5m after 10 years and growing beyond that) which would become an issue if there was ever need or desire to discontinue the arrangement. Given the nature of the cover, a funding gap of this magnitude may be impossible to recover because there would be limited prospective benefit to the future members at the time that they might be called upon to fund a deficit.
- In the following slide we show our projected progression of the quantum of the Uncovered Exposure over time from the commencement of the open market in indemnity year 2001 relative to a claims made funding basis. The table on Slide 41 shows both the unfunded claim exposures on a PAYG basis (broadly equal the “Unpaid Exposure”) and a claims made basis (equal to the “Uncovered Exposure”).

Option 2: Dedicated fund to provide indemnity coverage

Projection of uncovered exposure over time



- The graph shows the difference between our projections of underlying indemnity claim exposures from ceased practices up to the end of each indemnity year and the corresponding projected costs of claims notified at that point in time. This is equivalent to the unfunded uncovered exposure that arises from claims made coverage.
- The amounts shown here are analogous to costs from the roots of the tree stump (Slide 24) that are below ground and would not be covered by maintenance (claims made coverage) that expires at the end of each indemnity period. Cover for such exposures on a claims made basis would be reliant on future renewals until the claims are eventually reported.
- The increasing amounts over time are driven by our 3%pa underlying inflation assumption.

Option 2: Dedicated fund to provide indemnity coverage

Cash Flows and unpaid claims

Indemnity Year	Claims Notifications Post 2022		
	Incremental Payments (£m)	Cumulative Payments (£m)	Unpaid Claims (£m)
2001-2022			
2023	0.240	0.240	1.418
2024	0.617	0.857	2.042
2025	0.791	1.648	2.427
2026	1.049	2.697	2.509
2027	1.256	3.953	2.364
2028	1.147	5.100	2.319
2029	1.124	6.223	2.287
2030	1.105	7.328	2.264
2031	1.098	8.426	2.274
2032	1.104	9.531	2.316
2033	1.122	10.653	2.388
2034	1.150	11.803	2.467
2035	1.184	12.987	2.534
2036	1.219	14.206	2.602
2037	1.254	15.460	2.667
2038	1.285	16.744	2.735
2039	1.318	18.062	2.812
2040	1.355	19.418	2.893
2041	1.393	20.811	2.979
2042	1.434	22.245	3.068
2043	1.477	23.722	3.159
2044	1.521	25.244	3.254
2045	1.567	26.810	3.351
2046	1.614	28.424	3.452
2047	1.662	30.086	3.555
2048	1.712	31.798	3.662
2049	1.763	33.562	3.772
2050	1.816	35.378	3.885
2051	1.871	37.249	4.002
2052	1.927	39.175	4.122

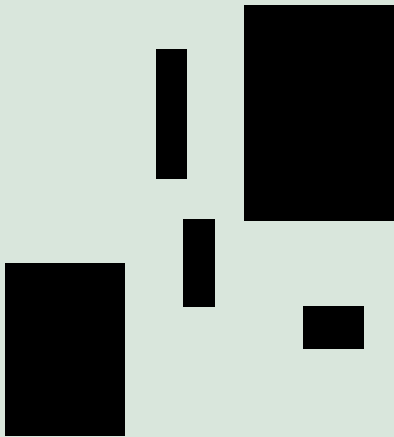
Post-2000 Cessations to date	
Uncovered Exposure (£m)	Unpaid Exposure (£m)
12.428	14.029
11.952	13.370
11.929	13.971
12.007	14.434
12.169	14.677
12.387	14.752
12.657	14.975
12.977	15.263
13.349	15.612
13.738	16.012
14.134	16.450
14.528	16.917
14.936	17.403
15.370	17.905
15.820	18.422
16.290	18.957
16.779	19.514
17.281	20.093
17.798	20.692
18.332	21.311
18.882	21.950
19.449	22.608
20.032	23.286
20.633	23.985
21.252	24.704
21.890	25.445
22.547	26.209
23.223	26.995
23.920	27.805
24.637	28.639
25.376	29.498

- The claim provisions are on an undiscounted basis. This results in a potential emerging margin from future investment income.
- Claim payments are much slower than emergence of underlying claim exposures as demonstrated by the large unpaid exposure amounts.
- For reported claims, the payment profile is not especially long-tailed as shown by the fourth column of unpaid claims in respect of notified claims being under £5.0m.
- Provided indemnity cost exposures are fully funded at reasonable best estimate levels, then subject to asset volatility, the likelihood of asset shortfalls is extremely remote.

Option 3: TLS or SRA arranges master cover with a selected insurer

- It could be challenging to interest market insurers in this risk. This is likely not a realistic option at the present time but could eventually become more feasible.
- The extent of coverage that is available will depend on the form of cover that the partner insurer(s) is willing to provide.
- It may be possible to make the risk more appealing to insurers by shortening the reporting tail for the insured component although this may not necessarily be efficient given that overhead costs may be relatively independent of the volume of claims. An outsourced insurance service arrangement may be an effective solution for managing administrative costs with agreed compensation for services provided. Over time, as the insurer becomes more comfortable with the underlying risk, it may be possible to develop the arrangement to involve a degree of risk transfer within defined parameters.
- Use of an insurer to provide coverage could lead to Insurance Premium Tax charges, currently 12%.

Scenario Analysis



Scenario Analysis

Dedicated fund using SIF Residual Funds

- We have modelled an illustrative scenario to demonstrate how existing funds could be deployed to establish a framework for the provision of PSYROC cover on a going forward basis and the scale of the ongoing costs. For simplicity, we have assumed a seamless transition between SIF and the modelled fund.
- The SIF residual funds are used to fund PSYROC cover extensions for ceased practices from 2000/01 up to indemnity year 2021/22 and the profession is subjected to levies for expected costs from 2022/23 onwards or shortly thereafter. An initial capital target is set at £10m at the end of 2022 with an escalation of 3% per annum which reflects our inflation assumption for the annual cost accrual of ceased practices.

Limitations: We apply various simplifications:

- No allowance for investment returns on the portfolio. Although this is naturally volatile and is dependent on the asset-mix selected, historically SIF has achieved favourable returns of the order of £1m-£2m in recent years.
- Overhead administration expenses are set at £0.7m escalating at 3% p.a. using SIF's 2020 administrative expense as a starting point. Levies are conservatively assessed by loading fully for overhead costs. In practice this charge could be significantly reduced on reasonable grounds. On a marginal cost basis, no overhead costs would be allowed for in the levy.
- As a simplification, although we project a reserve redundancy in SIF's booked provisions, we have adopted unadjusted SIF's claims handling expense ("CHE") provision as at 31 October 2020.
- Taking account of the level of this provision in relation to SIF's unpaid claim estimates, we have applied 15% of expected indemnity costs as CHE related to claim accruals after the 2022 indemnity year.

Scenario Analysis

Adjustments to SIFL balance sheet:

Projected Surplus Position @ 30 September 2022

	Selected £m	Low £m	High £m
SIF Surplus in accounts @30.10.20	22.483	22.483	22.483
SIF Cost of external reinsurance in 2021/22	(0.800)	(0.800)	(0.800)
WTW Reserve surplus	3.190	3.190	3.190
WTW Overall estimated surplus	24.873	24.873	24.873
WTW Exposure A - 2001 to 2016 run-off cos	(6.027)	(4.960)	(7.094)
WTW Exposure B - 2017 to 2022 run-off cos	(6.401)	(4.845)	(7.958)
WTW Claims handling expenses loading*	(1.864)	(1.471)	(2.258)
Residual surplus	10.581	13.597	7.563

*Claims handling allowance is 15% of indemnity in line with SIF booked CHE provision as a proportion of indemnity provisions as at 31 October 2020.

SIF Balance Sheet adjustment

	WTW		
	SIF Booked @31/10/20 £m	Projected @30.04.21 £m	Surplus @30.04.21 £m
Total PSYROC claims	7.940	4.800	3.140
Pre-2001 historical claims	0.827	0.777	0.050
Total indemnity provision	8.767	5.577	3.190
Claims handling provision	1.320	1.320	-
Total booked provision	10.087	6.897	3.190

SIF Claims handling ratio to indemnity 15%

- This slide shows our estimates of the underlying surplus on the 2020 SIF accounts, reduced by £0.8m reinsurance cost to be booked in the 2021 accounts and assuming no other profit or loss on run-off to 30 September 2022.
- These adjustments increase the booked surplus of £22.5m to £24.9m on our selected basis.
- We then reduce this surplus to allow for the cost of funding cover for exposures A and B to determine the residual surplus would be available to support the provision of ongoing PSYROC run-off coverage for future ceased practices in indemnity years beyond September 2022.
- This residual surplus is £10.6m on a best estimate basis.

Scenario analysis

Notes and limitations

- In the subsequent financial illustrations, we have made a number of simplifications which include:
 - We have made no allowance for the benefits of investment income.
 - In illustrating levy costings overhead administrative costs are fully loaded into levy or premium charges. In practice there is considerable scope for discretion in how this is applied ranging from a marginal cost basis under which no overhead cost is loaded.
- The costings are based on the assumption that any replacement funding arrangement takes over the run-off of SIF's unpaid claims and that the future claim liabilities not covered by SIF are managed in conjunction with these. In the event of a separation, there will likely be additional costs due to some loss of economies of scale.

Scenario Analysis

Levy Funding on selected estimate basis

Projection from 30 September 2022

Amounts in £000's

	Levy costing					Levy costing		Target Surplus (say £10m escalating at 3% p.a.)	
	Accrual of Indemnity	Admin Costs (no credit for CHE provisions)	CHE Load for additional claims	Required Capital Load	Underlying Total Charge	Levy Reduction	Reduced Total Charge	Actual Surplus	
2021/22								10,000	10,581
2022/23	1,182	721	177	300	2,381	300	2,081	10,300	10,581
2023/24	1,218	743	183	309	2,452	281	2,171	10,609	10,609
2024/25	1,254	765	188	318	2,526	-	2,526	10,927	10,927
2025/26	1,292	788	194	328	2,601	-	2,601	11,255	11,255
2026/27	1,331	811	200	338	2,679	-	2,679	11,593	11,593
2027/28	1,371	836	206	348	2,760	-	2,760	11,941	11,941
2028/29	1,412	861	212	358	2,843	-	2,843	12,299	12,299
2029/30	1,454	887	218	369	2,928	-	2,928	12,668	12,668
2030/31	1,498	913	225	380	3,016	-	3,016	13,048	13,048
2031/32	1,543	941	231	391	3,106	-	3,106	13,439	13,439
2032/33	1,589	969	238	403	3,199	-	3,199	13,842	13,842
Total	15,142	9,234	2,271	3,842	30,490	581	29,909		

- The starting capital of £10.6m assumes utilization of £6.0m and £6.4m of the residual SIF surplus estimated at £24.9m for cover of exposures A and B plus allowance for additional claims handling cost of £1.9m.
- Initial excess capital of £0.6m is released over indemnity years 2022/23 and 2023/24.

Residual Funds

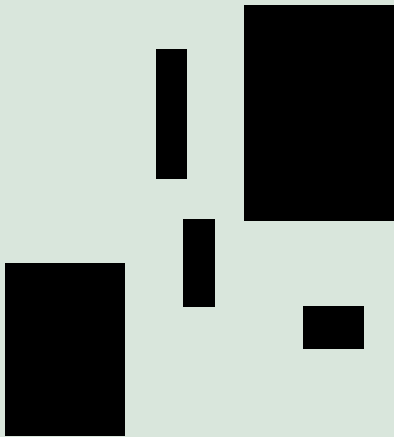
Scenario 2: Funding on selected estimate basis

- The reductions in the annual levies are shown in the column labelled “Levy Reduction”. The total reductions are the amount of the initial excess capital of £0.6m
- There are alternative ways of dealing with excess capital. For example, the entire excess capital could instead be used to reduce the levy in the 2022/23. In subsequent years, the projected levies would then equal the underlying total charge.

Specific limitations on analysis

- The analysis underlying our indemnity projections is based on SIF data as at 30 April 2021 and we projected estimates of the claims experience as at 30 September 2022; the results of our analysis will naturally vary as the data is updated and experience emerges.
- We consider that the analysis has been undertaken on a reasonable basis although this does not preclude the experience proving to be materially worse or better than anticipated.
- We note that the historical tendency of this portfolio is for the experience to emerge more favourably than expected in part due to recoveries from claims and the inherent need for a degree of prudence in applying the judgements that are involved in setting case reserves for claims where there is little supporting information available.
- We have predominantly relied on incurred claim projections because they reflect more information than paid claim data. We note that the paid claim projections are much lower than the incurred projections which would support an expectation that the experience of the portfolio would continue to emerge more favourably than we have anticipated.
- Our analysis has been performed in the context of the SRA's instructions and the estimates included herein should be regarded as indicative and are subject to change were the data and information available to subsequently be updated.

Description of methods applied



Terminology and definitions

- **Paid Loss:** The amount of money that has been paid by an to cover the insureds' claims, which may cover indemnity payments, defence costs and other fees that may be accrued in relation to the claim.
- **Outstanding Claims or Case Reserves:** The estimate of unpaid loss amounts established by the claim department for unpaid claims that have been reported. Case reserves are typically established on an individual claim basis.
- **Incurred Loss:** The total of Paid Loss and Case Reserves. For some clients, the term Reported Loss may be substituted for Incurred Loss.
- **IBNR Reserves:** The estimate of unpaid loss amounts to cover:
 - claims events that may have occurred before the accounting date but still have to be reported to the insurer (also referred to as “pure” IBNR or IBNYR - Incurred But Not Yet Reported);
 - the development on outstanding case reserves (also referred to as IBNER – Incurred But Not Enough Reported) - IBNER can be positive or negative; and
 - future claim events that relate to policies written before the accounting date, but where there remains future exposure.
- IBNR Reserves therefore includes provision for future development on known claims, claims that have been incurred and reported but not recorded, claims that are recorded as settled and are subsequently re-opened, claims that have been incurred but not reported and future claim events from policies that have already been written but have remaining exposure.
- **Ultimate Loss:** The total cost of claims which will have paid once all claims have been settled.
- **Projected Ultimate Loss:** The estimated total cost of claims which is anticipated to having to pay. For periods of expired exposure, the Projected Ultimate Loss is the total of Paid Loss plus Loss Reserves.
- **Non-nil claim numbers:** The number of claims which have a non-zero incurred loss value. This includes claims which only have defence costs or fees attached to them. Unless otherwise stated, references to claim counts relate to non-nil claims in this report.
- **Ultimate non-nil claim numbers:** The total number of claims which will have settled with a non-zero payment once all claims have been settled.
- **Projected Ultimate non-nil claim numbers:** The estimated total number of claims which are anticipated to settle with a non-zero payment. Given the potential for IBNER on open claims there is potential for claims which are currently classified as nil, to settle as non-nil and vice versa.

Description of methods applied

Incurred But Not Reported (IBNR)

The claim amount projections outlined estimate the level of IBNR which, in addition to the incurred loss amounts, make up the ultimate claims estimate. IBNR includes an allowance for claims which have not yet been reported (Incurred But Not Yet Reported [IBNYR] and future claims) as well as claims which have been Incurred But Not Enough Reported (IBNER). Historically we have observed negative developments in outstanding case reserves indicating that the initial claim estimates are often higher than the claims settle at, which has been allowed for within our projections.

Claim number projections

The claim number projections outlined are performed on non-nil claims (including claims which only have fee amounts or defence costs and no indemnity amount). When looking at the number of claims on a notification basis we would not expect the total claim numbers (nil and non-nil claims) for expired notification periods to move over time given that the cover is provided on a claims made basis. Given the potential for IBNER described above there is potential for the non-nil claim numbers for expired notification periods to move over time if claims which currently have a nil incurred value settle with a non-nil cost or claims which currently have a non-nil incurred value settle with no cost.

Description of methods applied

Development factor method

The development factor method (also called the chain ladder method) involves calculating loss development factors (“LDFs”) from a triangle of data. The LDFs represent the ratio of the cumulative data in successive development periods. The method can be undertaken based on many alternative data triangles, the most common being triangles of paid claims, incurred claims, numbers of claims or written premium. The data in the triangles may be grouped according to various alternative origin periods, such as accident months or years; underwriting months or years; or report months or years.

The fundamental assumption of the development factor method is that the development patterns seen in the past will be appropriate for the future. When using incurred data, the method implicitly assumes that the relative adequacy of case reserves has been consistent over time and that there have been no material changes in the rate at which claims have been reported. When using this method with paid data, the implicit assumption is that the rate of payment of claims has been relatively consistent over time.

Description of methods applied

Development factor method(cont.)

Development factors are chosen based on the historical development exhibited by the data. In some cases, external benchmarks also influence the choice of development factors. In addition, where appropriate, a tail factor is selected to account for development beyond the observed experience. The tail factor is selected based on trends shown in the data and consideration of external benchmarks.

The selected LDFs and the tail factor are then applied to the latest cumulative data for each origin period to estimate the ultimate position after all development has been observed.

This method is also known as the chain ladder method.

Description of methods applied

Additive Development factor method

This method is a variant of the development factor method that is useful when the modelled amounts are very small and variable. In this case we have applied this method to the non-nil claim counts by year of cessation. Under this approach the historical data is normalised to a consistent exposure base by applying factors to each claim cohort. Instead of selecting development factors based on the ratio of the period-to-period development, additive factors are instead selected based on the period-to-period movements. The normalised movement factors are then rescaled back to the actual exposures and applied to the actual development in order to model ultimate projection amounts.

Description of methods applied

Expected loss ratio method

For the expected loss ratio method, estimated ultimate losses are based upon a prior measure of the anticipated losses, usually relative to a measure of exposure such as premiums, revenues or the number of ceased practices. An initial expected loss ratio (“IELR”) is selected and applied to the measure of exposure to determine estimated ultimate losses for each period. Actual losses to date (either paid or incurred) are not considered in this calculation. Longer term actual loss experience is reflected in the IELRs to the extent that the selected IELRs are based on the ultimate loss projections for earlier projection periods and this, together with other trend data and wider market knowledge, is used to infer expected losses in subsequent loss projection periods.

The expected losses are typically selected having regard to:

- the projected ultimate loss ratios for earlier claim cohort periods;
- the expected level of claims inflation; and
- any premium rate changes.

Description of methods applied

Expected loss ratio method (cont.)

The expected loss ratio method has the advantage of stability over time because the ultimate loss estimates do not change unless the exposures change. However, this advantage of stability is offset by a lack of responsiveness since this method does not consider actual loss experience as it emerges.

The fundamental assumption of the expected loss ratio method is that the loss ratios seen for earlier origin periods (after making adjustments such as for rate changes and claims inflation) are good guides to the likely claims experience on the more recent origin periods.

Description of methods applied

The Bornhuetter-Ferguson method

The Bornhuetter-Ferguson (“BHF”) method is essentially a blend of two other methods and can be undertaken based on various alternative data groupings, such as paid claims, incurred claims or claim counts. The description below assumes that the method is being undertaken using incurred claims.

The first method which forms part of the BHF method is the development factor method, whereby the latest actual incurred losses are multiplied by an expected loss development factor. For slow reporting coverages and the more recent origin periods, the development factor method can lead to erratic and unreliable projections because a relatively small swing in early reporting can result in a large swing in ultimate projections. The second method is the expected loss ratio method whereby the IBNR estimate equals the difference between a predetermined estimate of expected ultimate losses and actual incurred losses. This has the advantage of stability, but it does not respond to actual results as they emerge.

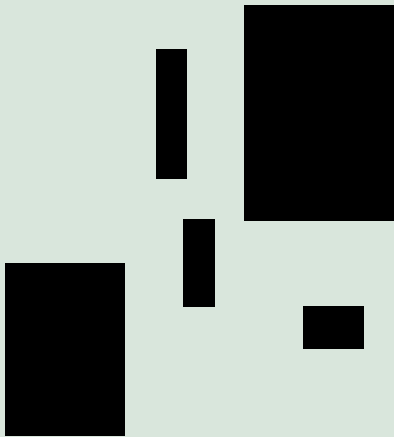
Description of methods applied

The Bornhuetter-Ferguson method (cont.)

The BHF method combines these two methods by setting the estimated ultimate position equal to a weighted average of the development factor method projection result and the projected ultimate position calculated by the expected loss ratio method. The weight is based on the proportion of total claims which is expected to have been incurred to date and gives increasing weight to the projected development factor figure as the data on which it is based becomes increasingly mature. As an origin period matures and expected IBNR losses become smaller, the expected loss ratio assumption therefore becomes gradually less important. Two parameters are needed to apply the BHF method: the expected loss ratio and the assumed reporting pattern.

This method is often used for long-tail lines, the most recent origin periods and in situations where the available data is relatively immature or lacks sufficient credibility for the application of other methods.

Appendix: Data Analysis



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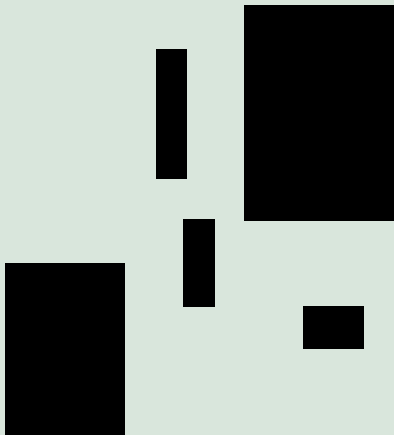
Appendix: Data Analysis

Background

- The purpose of this analysis was to assist the SRA in understanding the historical characteristics of the ceased practices that gave rise to claims as compared to the population of ceased practices.
- We did not have access to corresponding live practice data in order to assess differentials between ceased practices and the overall population of live practices and so the analysis in this report is confined to ceased practices.
- The following data analysis is derived from multiple data sources. This appendix is separated according to the primary data source. Further information on each data source and the analysis performed is set out below.
 - SIF Claims Data
 - This section is based on analysis of the claims data provided by SIF and used in the WTW claim projections.
 - SRA Data Analysis
 - This section is based on data for closed practices provided by the SRA. We needed to match by practice name data provided by the SRA and SIF in order to develop more meaningful data splits of the SRA data.
 - SRA EDI Data Analysis
 - This section shows the 'average' mix by ethnicity and diversity information for closed practices weighted by the number of partners in the firm before it was closed.
 - SRA Regional Data Analysis
 - A mapping between postcode data and region was used to group the SRA's data Head Office postcode field to a more interpretable level of granularity.
 - Summary of claim projections
 - This section summarises the claim projections estimated by WTW using the SIF claims data
 - Detailed summary of claim projections
 - This section summarises the claim projections (low, mid and high estimates) by year of cessation.

SIF Claims Data

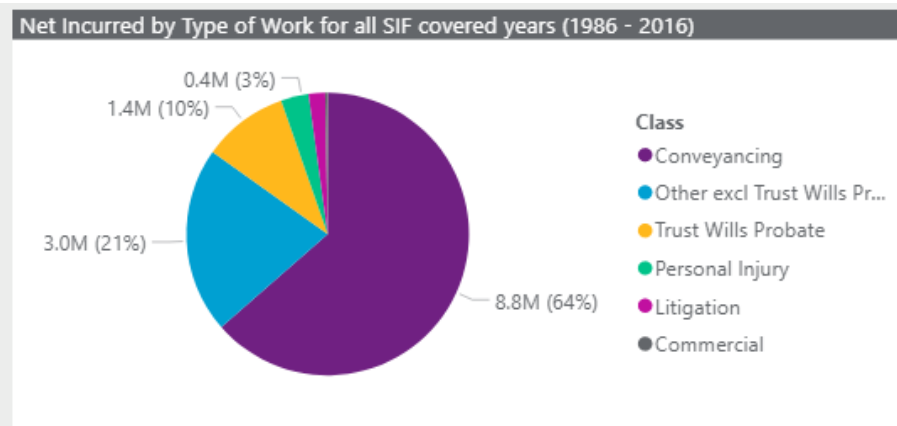
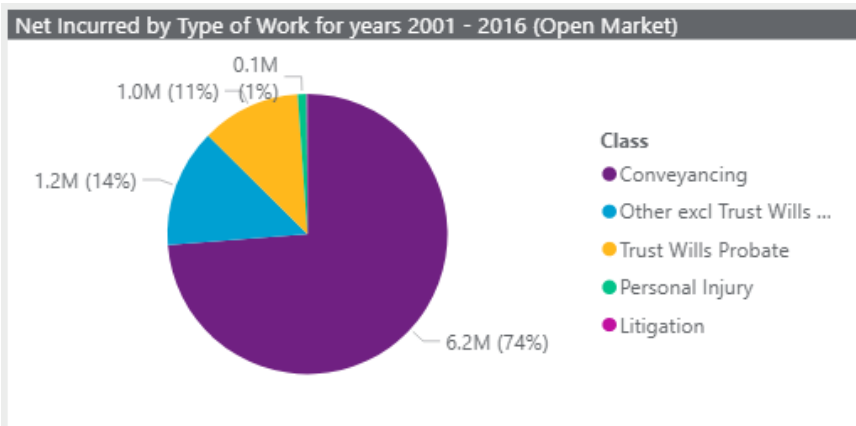
Appendix 1



Appendix 1 Contents

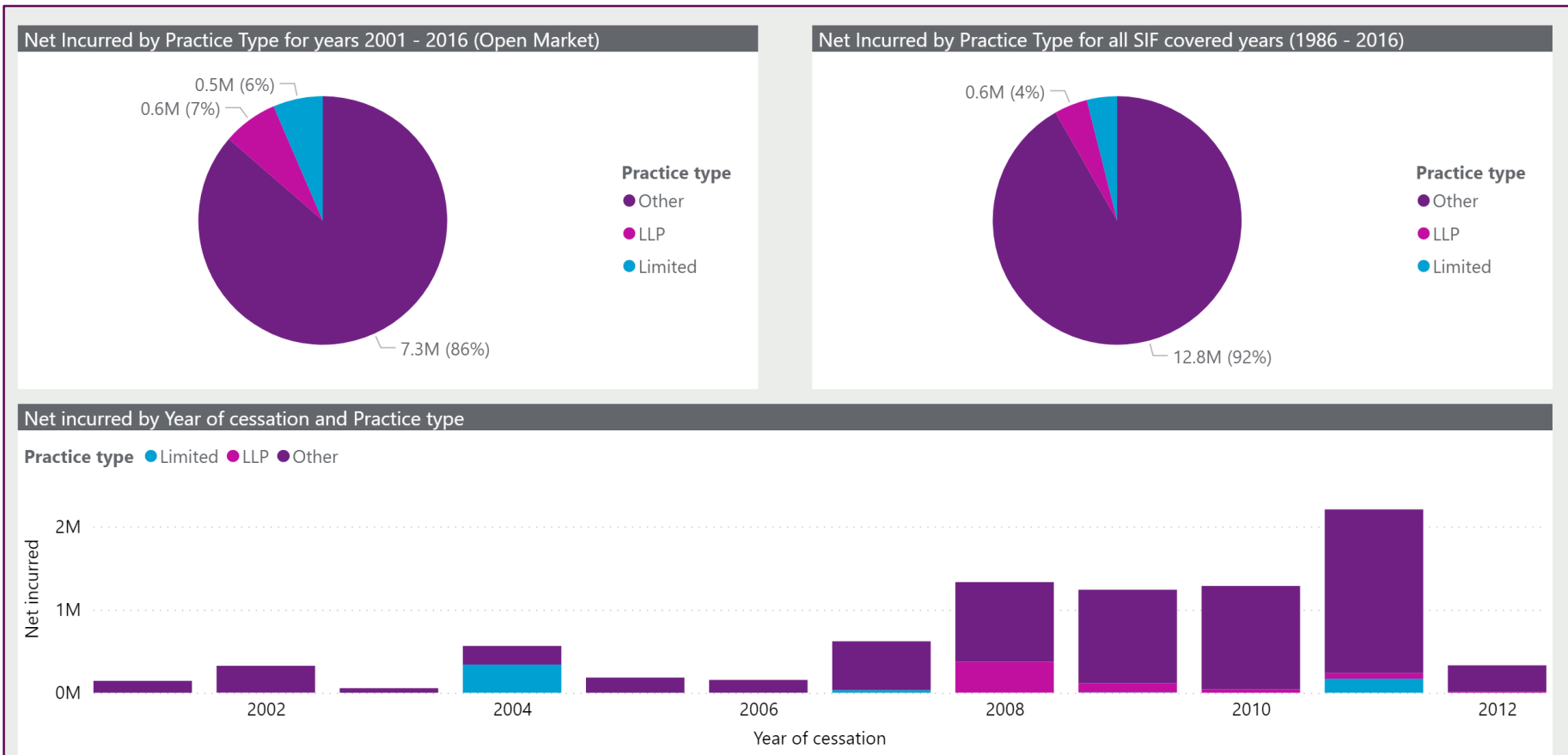
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Net incurred by type of work



Claim costs are dominated by conveyancing although reporting for recent years is not fully developed. The above pie charts show the split of costs on the open market years as well as across all SIF years. Note: Net incurred values are the sum of paid and reported case outstanding claim amounts net of subrogation recoveries

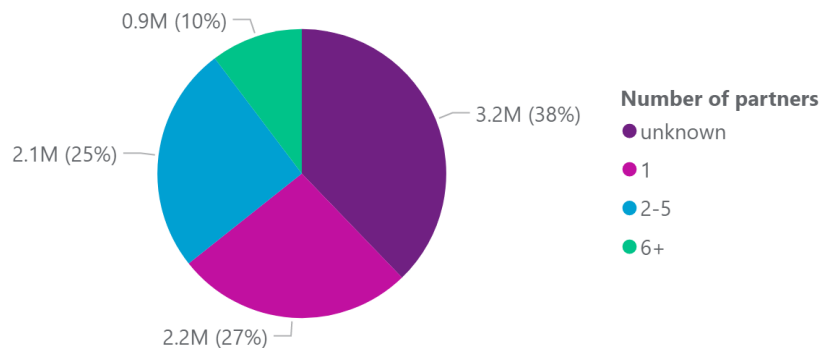
Net incurred by practice type



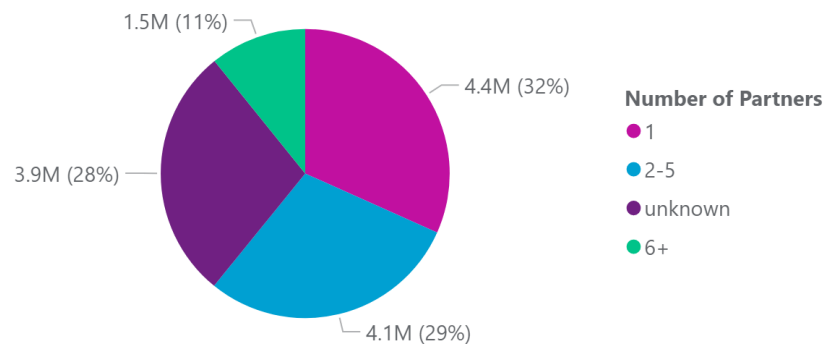
There is not enough data for practice type to determine the majority practice type for a firm who made a claim on SIF.

Net incurred by number of partners

Net Incurred by Number of Partners for years 2001 - 2016 (Open Market)

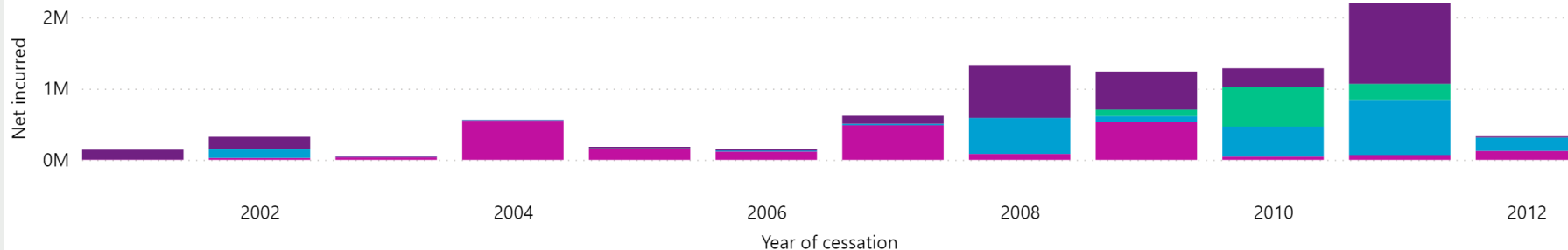


Net Incurred by Number of Partners for all SIF covered years (1986 - 2016)



Net incurred by Year of cessation and Number of Partners

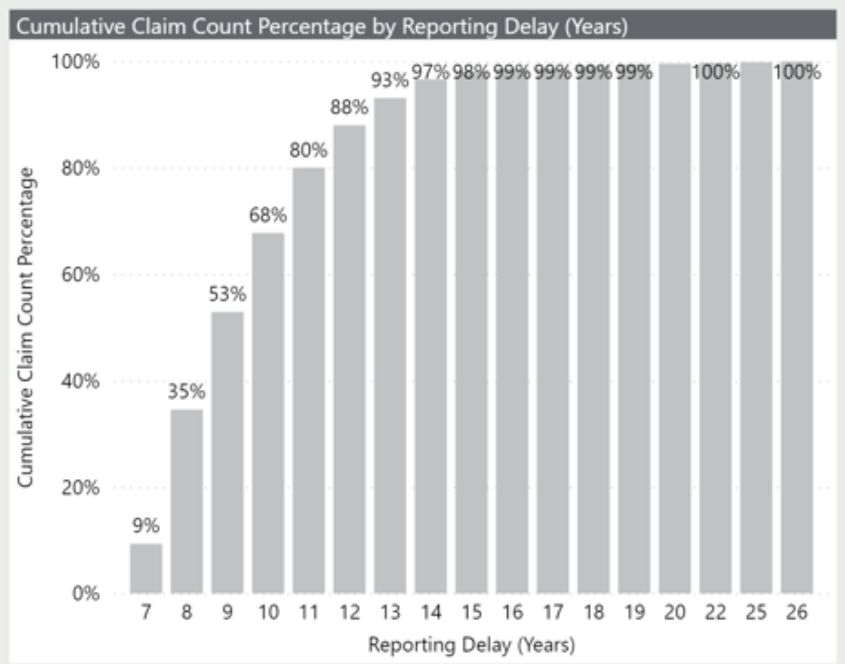
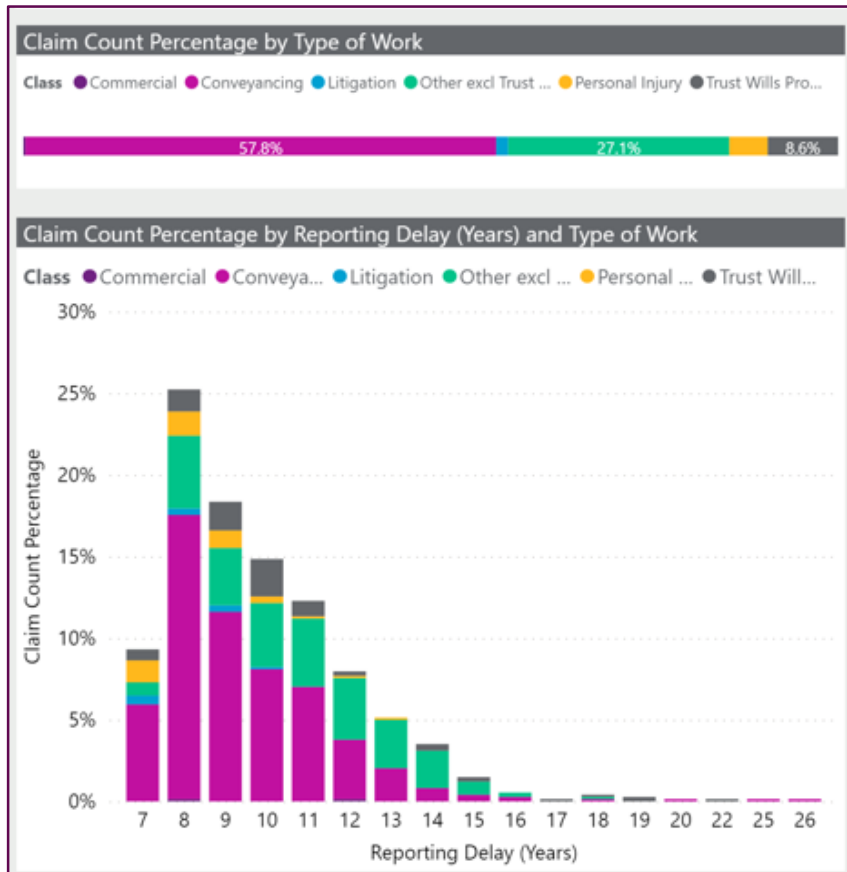
Number of Partners ● 1 ● 2-5 ● 6+ ● unknown



Most insured firms that claim have less than five partners, with 27% of claims on PSYROC cover coming from a sole practitioner.

Percentage of claim counts by reporting delay & type of work – all SIF years (1986 - 2016)

These exhibits show the claim counts by reporting delay and class (difference between notification year and cessation year) across all SIF covered years. The graph below shows the effect of changing the terms of PSYROC, for example extending to a 9-year run-off cover would not cover 53% of claims that PSYROC currently covers.



Claim counts by reporting delay & type of work – all SIF years (1986 - 2016)

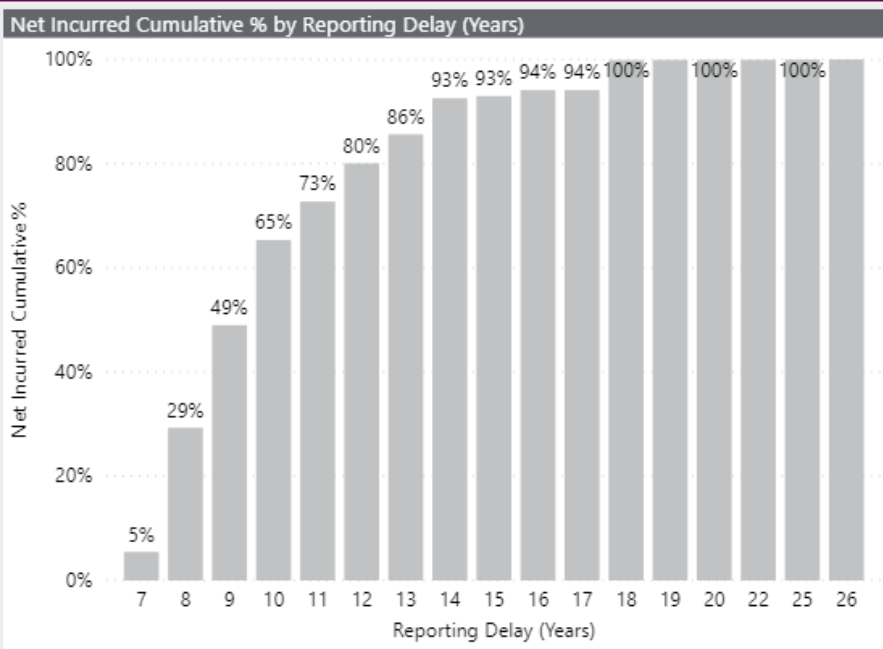
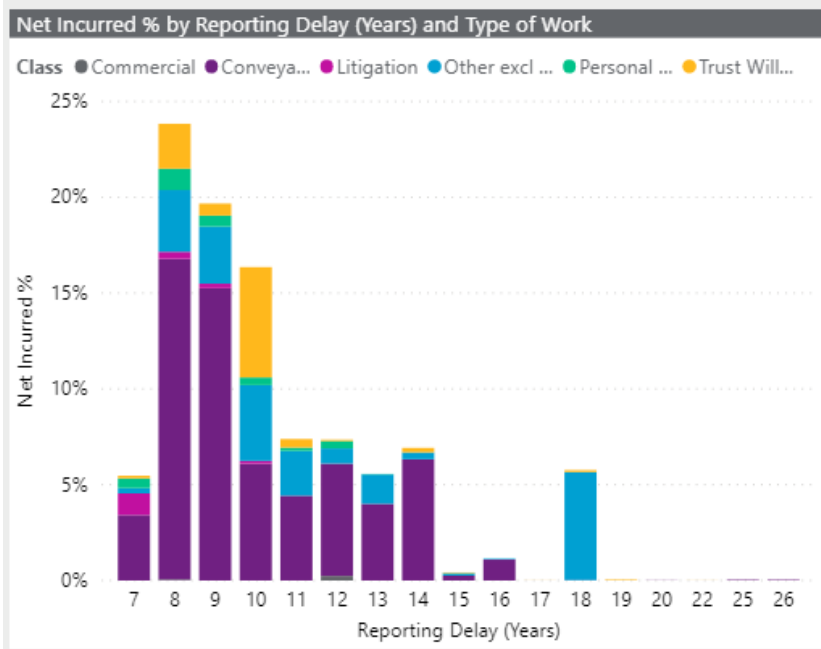
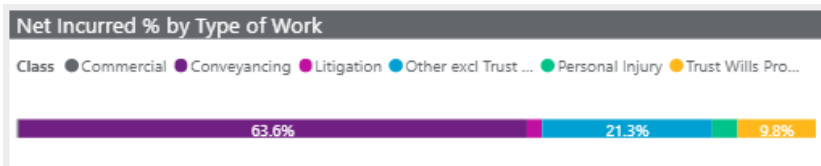
Claim Counts by Reporting Delay & Type of Work							
Reporting Delay	Commercial	Conveyancing	Litigation	Other exd Trust Wills Probate	Personal Injury	Trust Wills Probate	Total
7		44	4	6	10	5	69
8	1	129	3	33	11	10	187
9		86	3	26	8	13	136
10		60	1	29	3	17	110
11		52		31	1	7	91
12	1	27		28	1	2	59
13		15		22	1		38
14		6		17		3	26
15		3		6		2	11
16		2		2			4
17						1	1
18		1		1		1	3
19						2	2
20		1					1
22						1	1
25		1					1
	2	428	11	201	35	64	741

Claim Counts as % by Reporting Delay & Type of Work							
Reporting Delay	Commercial	Conveyancing	Litigation	Other exd Trust Wills Probate	Personal Injury	Trust Wills Probate	Total
7		5.9%	0.5%	0.8%	1.3%	0.7%	9.3%
8	0.1%	17.4%	0.4%	4.5%	1.5%	1.3%	25.2%
9		11.6%	0.4%	3.5%	1.1%	1.8%	18.4%
10		8.1%	0.1%	3.9%	0.4%	2.3%	14.8%
11		7.0%		4.2%	0.1%	0.9%	12.3%
12	0.1%	3.6%		3.8%	0.1%	0.3%	8.0%
13		2.0%		3.0%	0.1%		5.1%
14		0.8%		2.3%		0.4%	3.5%
15		0.4%		0.8%		0.3%	1.5%
16		0.3%		0.3%			0.5%
17						0.1%	0.1%
18		0.1%		0.1%		0.1%	0.4%
19						0.3%	0.3%
20		0.1%					0.1%
22						0.1%	0.1%
25		0.1%					0.1%
	0.3%	57.8%	1.5%	27.1%	4.7%	8.6%	100.0%

The above tables show the claim counts by reporting delay and class on all SIF years.

Percentage of claim amounts by reporting delay & type of work – all SIF years (1986 - 2016)

These exhibits show the claim amounts by reporting delay and class (difference between notification year and cessation year) across all SIF covered years. There is a large claim (£785k net incurred) reported with a delay of 18 years in the 'Other' class (and a claim type of 'Criminal') which is leading to the larger percentage incurred on this reporting delay year.



Claim amounts by reporting delay & type of work – all SIF years (1986 - 2016)

Claim Amounts by Reporting Delay & Type of Work								Claim Amounts as % by Reporting Delay & Type of Work							
Reporting Delay	Commercial	Conveyancing	Litigation	Other excl Trust Wills Probate	Personal Injury	Trust Wills Probate	Total	Reporting Delay	Commercial	Conveyancing	Litigation	Other excl Trust Wills Probate	Personal Injury	Trust Wills Probate	Total
7		475,432	157,012	38,367	70,440	19,136	760,387			3.4%	1.1%	0.3%	0.5%	0.1%	5.5%
8	7,426	2,327,860	51,924	448,186	154,648	326,458	3,316,501		0.1%	16.7%	0.4%	3.2%	1.1%	2.3%	23.8%
9		2,122,657	32,762	414,793	79,310	87,603	2,737,125			15.3%	0.2%	3.0%	0.6%	0.6%	19.7%
10		848,596	19,772	550,606	55,316	801,371	2,275,661			6.1%	0.1%	4.0%	0.4%	5.8%	16.4%
11		616,301		324,546	24,336	61,768	1,026,951			4.4%		2.3%	0.2%	0.4%	7.4%
12	33,193	816,050		110,263	53,046	9,990	1,022,542		0.2%	5.9%		0.8%	0.4%	0.1%	7.3%
13		557,037		213,607	3,000		773,644			4.0%		1.5%	0.0%		5.6%
14		879,937		50,175		32,786	962,898			6.3%		0.4%		0.2%	6.9%
15		34,700		18,541		5,883	59,123			0.2%		0.1%		0.0%	0.4%
16		151,576		6,331			157,907			1.1%		0.0%			1.1%
17						815	815							0.0%	0.0%
18		2,982		784,960		13,906	801,848			0.0%		5.6%		0.1%	5.8%
19						5,886	5,886							0.0%	0.0%
20		1,450					1,450			0.0%					0.0%
22						872	872							0.0%	0.0%
25		5,000					5,000			0.0%					0.0%
<	40,619	8,844,576	261,470	2,960,373	440,096	1,366,472	13,913,607	>	0.3%	63.6%	1.9%	21.3%	3.2%	9.8%	100.0%

The above tables show the claim amounts by reporting delay and class on all SIF years.

Claim amounts & counts by reporting delay & type of work – open market years only (2001 - 2016)

Reporting Delay	Conveyancing	Litigation	Other excl Trust Wills Probate	Personal Injury	Trust Wills Probate	Total
7	116,772				15,889	132,661
8	1,370,700		210,510	35,346	125,759	1,742,314
9	1,795,334	8,899	166,668	3,613	4,817	1,979,330
10	747,062		479,676	22,581	708,784	1,958,103
11	481,135		212,967	24,336	54,728	773,166
12	741,653		4,164		498	746,315
13	546,027		79,064			625,091
14	272,422		300		31,126	303,848
15					5,336	5,336
16	151,576					151,576
18	2,982				13,906	16,888
19					4,432	4,432
	6,225,662	8,899	1,153,348	85,875	965,273	8,439,058

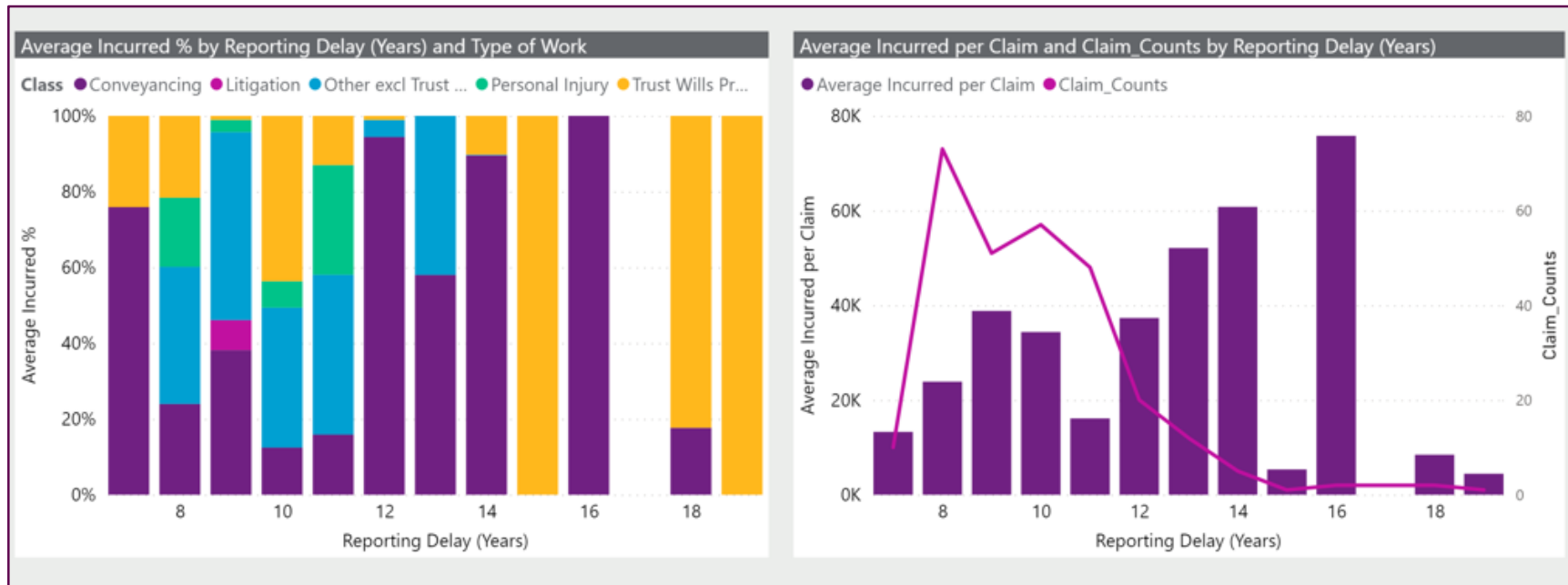
Reporting Delay	Conveyancing	Litigation	Other excl Trust Wills Probate	Personal Injury	Trust Wills Probate	Total
7	1.4%				0.2%	1.6%
8	16.2%		2.5%	0.4%	1.5%	20.6%
9	21.3%	0.1%	2.0%	0.0%	0.1%	23.5%
10	8.9%		5.7%	0.3%	8.4%	23.2%
11	5.7%		2.5%	0.3%	0.6%	9.2%
12	8.8%		0.0%		0.0%	8.8%
13	6.5%		0.9%			7.4%
14	3.2%		0.0%		0.4%	3.6%
15					0.1%	0.1%
16	1.8%					1.8%
18	0.0%				0.2%	0.2%
19					0.1%	0.1%
	73.8%	0.1%	13.7%	1.0%	11.4%	100.0%

Reporting Delay	Conveyancing	Litigation	Other excl Trust Wills Probate	Personal Injury	Trust Wills Probate	Total
7	7				3	10
8	59			6	2	73
9	42	1		3	1	51
10	37			8	2	57
11	36			6	1	48
12	17			2		20
13	10			2		12
14	2			1		5
15						1
16	2					2
18	1					2
19						1
	213	1	28	6	34	282

Reporting Delay	Conveyancing	Litigation	Other excl Trust Wills Probate	Personal Injury	Trust Wills Probate	Total
7	2.5%				1.1%	3.5%
8	20.9%		2.1%	0.7%	2.1%	25.9%
9	14.9%	0.4%	1.1%	0.4%	1.4%	18.1%
10	13.1%		2.8%	0.7%	3.5%	20.2%
11	12.8%		2.1%	0.4%	1.8%	17.0%
12	6.0%		0.7%		0.4%	7.1%
13	3.5%		0.7%			4.3%
14	0.7%		0.4%		0.7%	1.8%
15					0.4%	0.4%
16	0.7%					0.7%
18	0.4%				0.4%	0.7%
19					0.4%	0.4%
	75.5%	0.4%	9.9%	2.1%	12.1%	100.0%

The above tables show the claim amounts and counts by reporting delay and class for the open market years only. The maximum reporting delay is 19 years. Given prior SIF exposure, reporting delays could be greater than this, with experience showing a maximum reporting delay of 26 years.

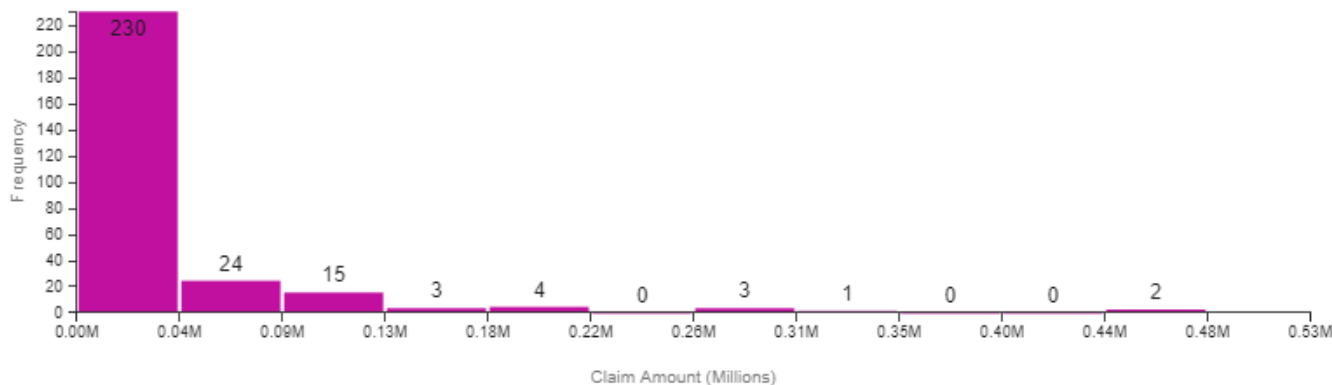
Average cost per claim by reporting delay & type of work – open market years only (2001 - 2016)



The above left graph shows the average cost per claim by reporting delay and the percentage that can be attributed to each type of work. Trust Wills & Probate claims can have a significant reporting delay compared with the other classes. Conveyancing claims dominate the mix. The above right graph shows the average cost per claim (net incurred / claim count) by reporting delay. The line graph shows the number of claims by reporting delay.

Number of claims by claim amount

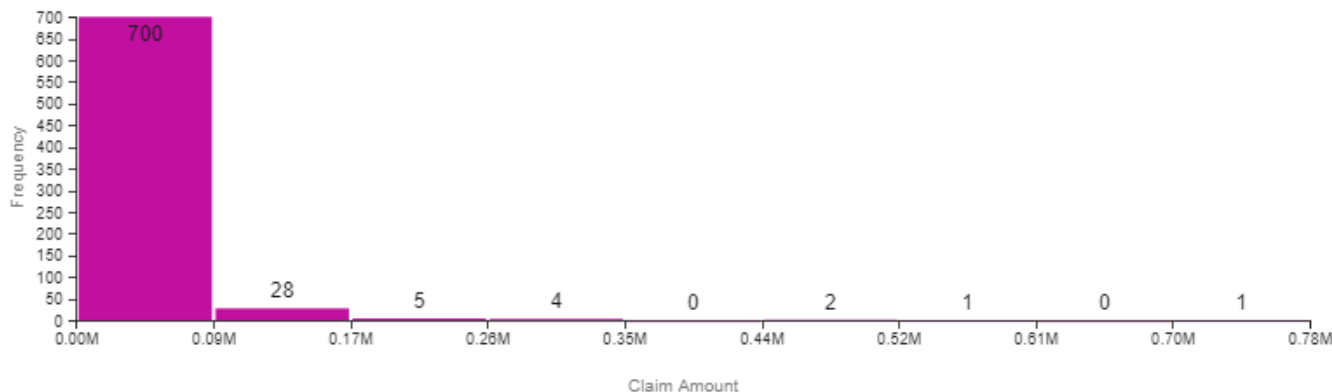
Claim Counts by Claim Amount on Open Market Years only (2001 - 2016)



Top 10 claim amounts on open market

Type of Work	Net incurred
Trust Wills Probate	482,838
Conveyancing	447,562
Conveyancing	339,331
Conveyancing	300,720
Conveyancing	282,259
Conveyancing	267,922
Conveyancing	212,450
Conveyancing	210,000
Other excl Trust Wills Probate	192,275
Conveyancing	184,929

Claim Counts by Claim Amount on all SIF Years



Top 10 claim amounts on all SIF years

Type of Work	Net incurred
Other excl Trust Wills Probate	784,960
Conveyancing	597,519
Trust Wills Probate	482,838
Conveyancing	447,562
Conveyancing	339,331
Conveyancing	300,720
Conveyancing	282,259
Conveyancing	267,922
Conveyancing	212,450
Conveyancing	210,000

The above histograms show the distribution of claims by claim amounts. For the open market years, 230 claims were less than £44,000. The tables on the right show the top 10 largest claim amounts and the type of work the practice performed. Any reduction to the upper limit of cover would need to be significant to have any impact on the size of PSYROC claims.

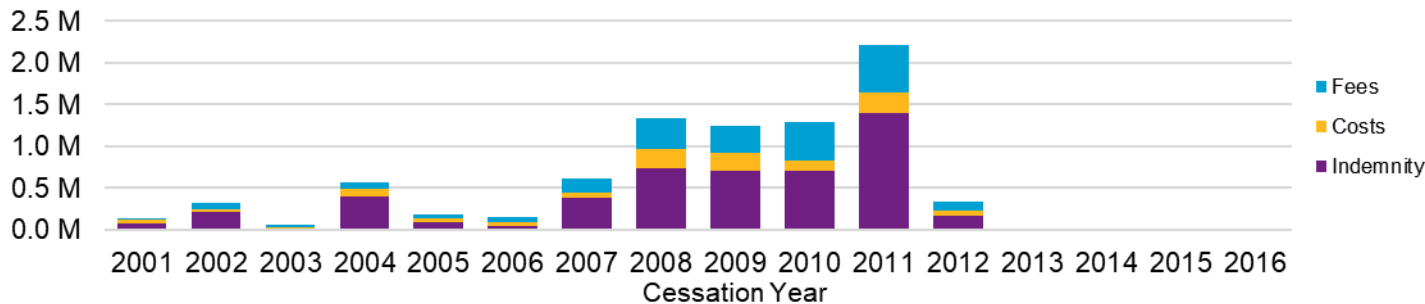
Claim counts including nil claims

Year of cessation	Claim Counts incl nils	Claim Counts	non-nil Claims %	nil Claims
1986	2	1	50.00%	1
1987	22	6	27.27%	16
1988	81	26	32.10%	55
1989	100	30	30.00%	70
1990	78	29	37.18%	49
1991	108	60	55.56%	48
1992	136	55	40.44%	81
1993	90	35	38.89%	55
1994	86	54	62.79%	32
1995	72	46	63.89%	26
1996	33	19	57.58%	14
1997	32	11	34.38%	21
1998	70	47	67.14%	23
1999	53	25	47.17%	28
2000	48	15	31.25%	33
2001	19	8	42.11%	11
2002	24	16	66.67%	8
2003	13	9	69.23%	4
2004	18	10	55.56%	8
2005	25	12	48.00%	13
2006	12	9	75.00%	3
2007	17	10	58.82%	7
2008	60	52	86.67%	8
2009	68	37	54.41%	31
2010	76	45	59.21%	31
2011	86	60	69.77%	26
2012	16	14	87.50%	2
Total	1447	741	51.21%	706

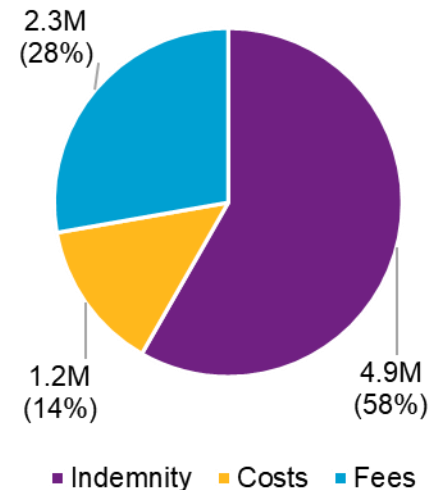
This table shows the total number of claims reported, including those claims which did not result in a payout ('Claim Counts incl nils'). It also shows the number of claims that resulted in a payout as a count ('Claim Counts') and percentage ('non-nil Claims %'). In total, only 51% of claims made to SIF result in a payout.

Net incurred by claim element

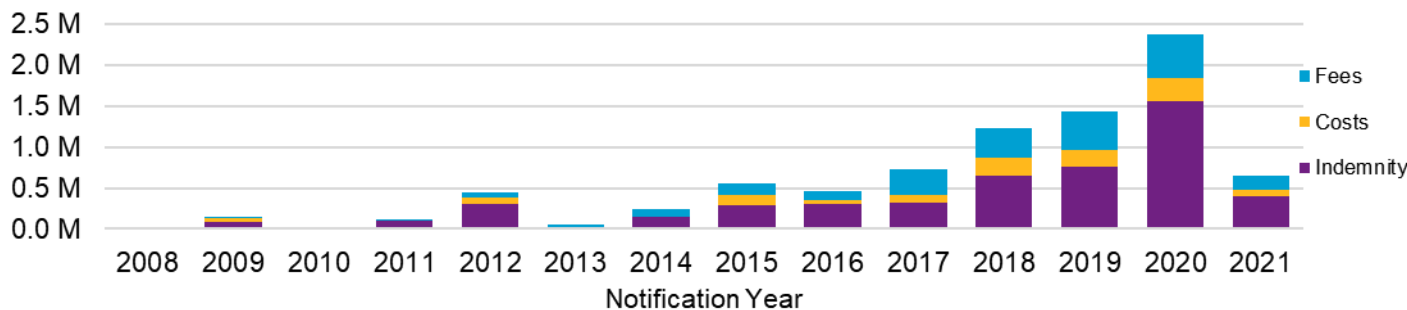
Net Incurred by Claim Element - Cessation Years 2001-2016



Net Incurred by Claim Element - Cessation Years 2001-2016



Net Incurred by Claim Element - Notification Year (Cessation Years 2001+)

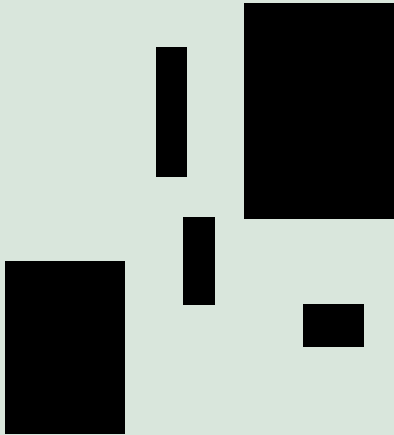


Total net incurred claim amounts are dominated by indemnity amounts with a broadly even split across cessation and notification years. The above pie charts show the split of claim amounts across all SIF years.

Definitions of amounts paid and reserved:
 Indemnity – Settlement amounts in respect of indemnity compensation for claimants
 Costs – Settlements for claimants’ costs such as solicitors’ costs
 Fees – Own (SIF) panel Solicitor fees or other own fees/costs directly attributable to individual claims

SRA Data Analysis

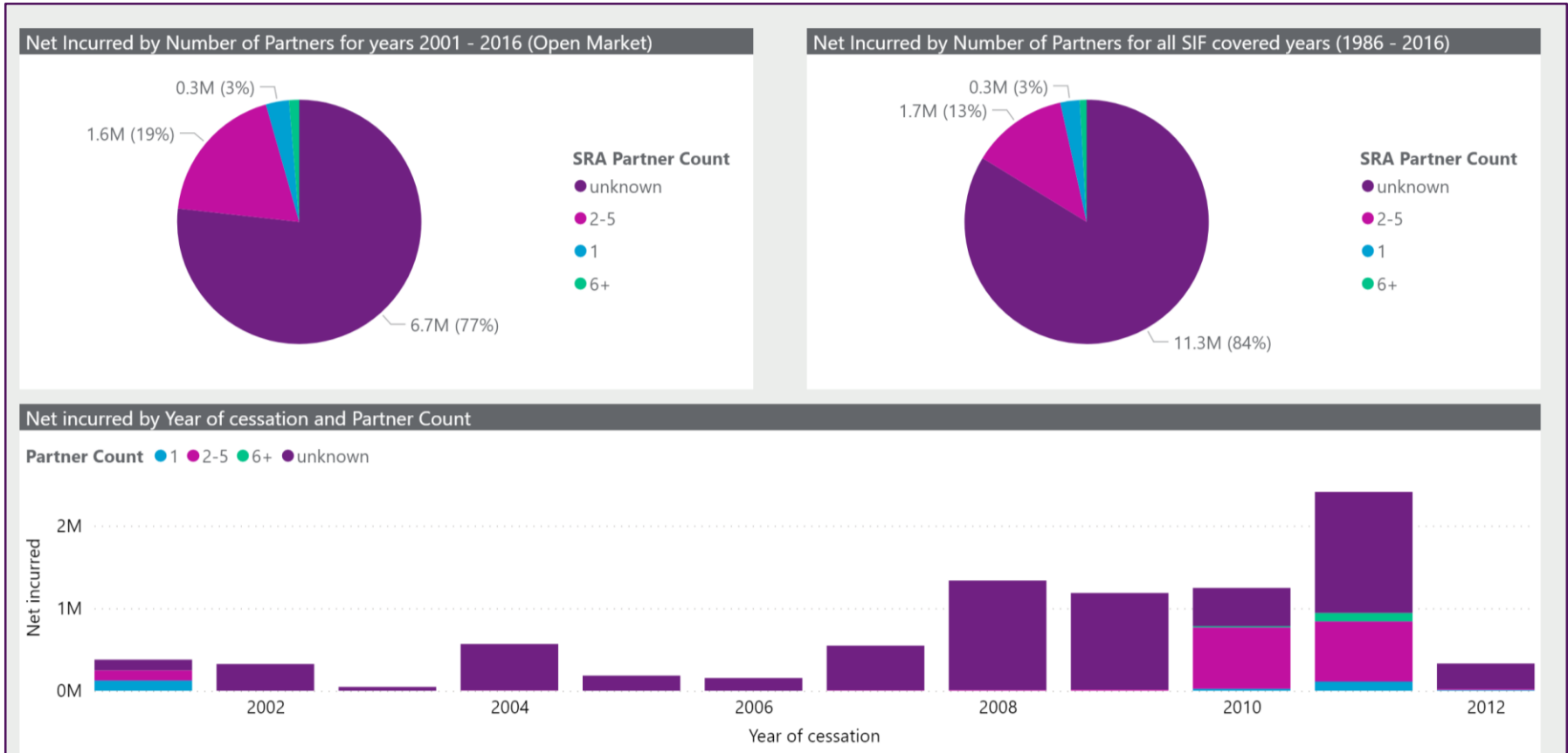
Appendix 2.1



Appendix 2.1 Contents

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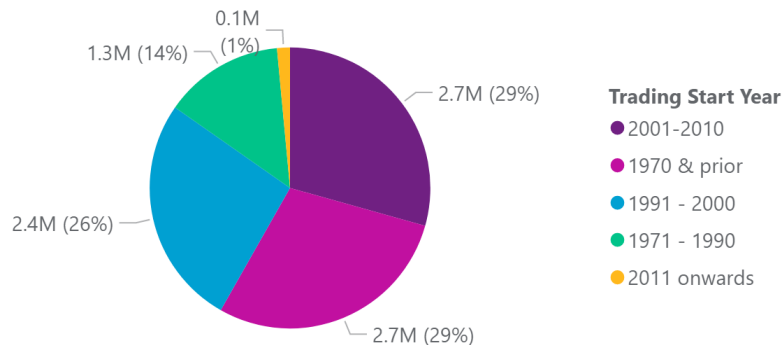
Net incurred by Partner count



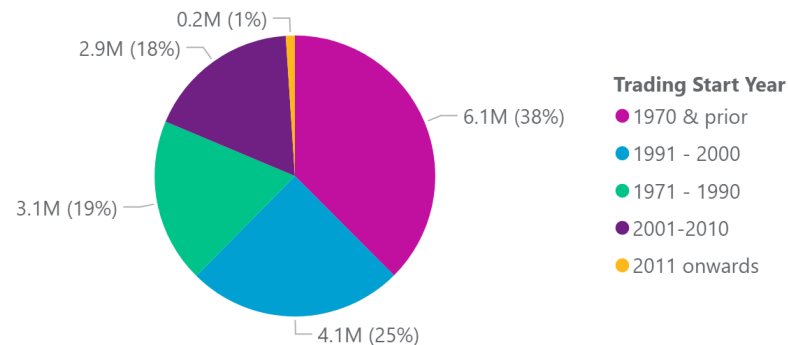
We performed an exercise to match the SRA Organisation name with the SIF Practice Name, this included matching the name and the head office postcode. 95% of firms were successfully matched. From those that were matched, the above summarises the partner count, practices with 0 partner count are summarised in the 'unknown' group above. Comparison data is against all closed firms.

Net incurred by trading start year

Net Incurred by Trading Start Year for years 2001 - 2016 (Open Market)



Net Incurred by Trading Start Year for all SIF covered years (1986 - 2016)



Net Incurred by Year of cessation and Trading Start Year

Trading Start Year Grouped ● 1970 & prior ● 1971 - 1990 ● 1991 - 2000 ● 2001-2010 ● 2011 onwards

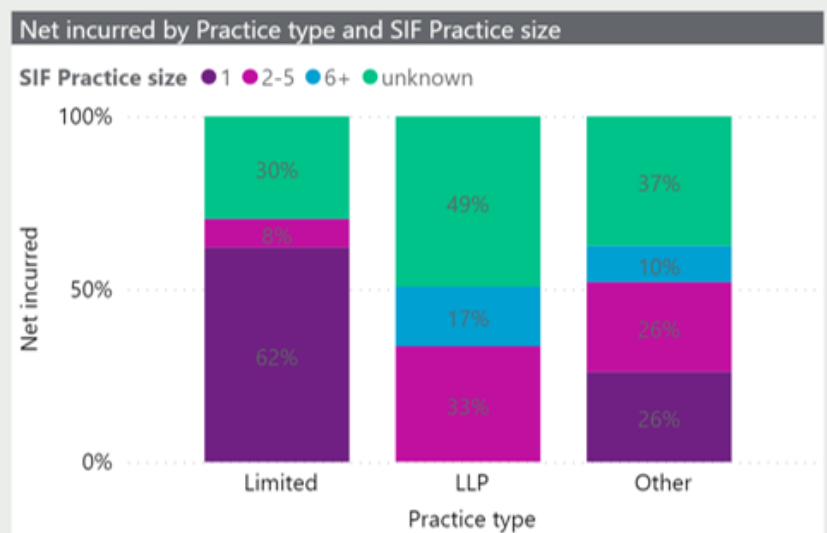
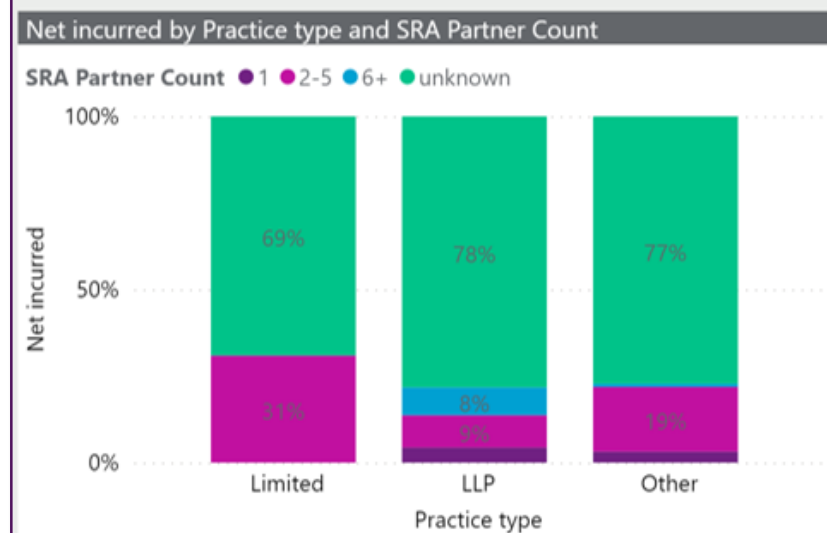


From the matched firms, the above summarises the year they started trading. Recent years are not fully developed, and we anticipate further claims on years which started trading '2011 onwards' if PSYRO cover continued to exist. Comparison data is against all closed firms.

Net incurred by SRA / SIF partner count & practice type

SRA Partner Count	Limited	LLP	Other	Total
1		26,476	240,740	267,215
2-5	169,098	56,299	1,414,399	1,639,796
6+		48,530	68,410	116,940
unknown	377,315	472,130	5,835,745	6,685,189
Total	546,412	603,435	7,289,211	8,439,058

SIF Practice size	Limited	LLP	Other	Total
1	339,331	430	1,898,639	2,238,400
2-5	44,965	201,921	1,894,979	2,141,865
6+		104,005	764,998	869,003
unknown	162,117	297,079	2,730,595	3,189,791
Total	546,412	603,435	7,289,211	8,439,058



The majority of claims were made by practices where the practice type and size are not captured in the data (unknown / other). The above tables show the SRA Partner Count and the SIF Practice size by the practice type. Looking at the data available from SIF, around 26% of claim amounts (£2.2m net incurred) derived from sole practitioners. It is unclear what practice type accounted for a significant portion of claims as 86% of claims (£7.3m net incurred) are 'other'.

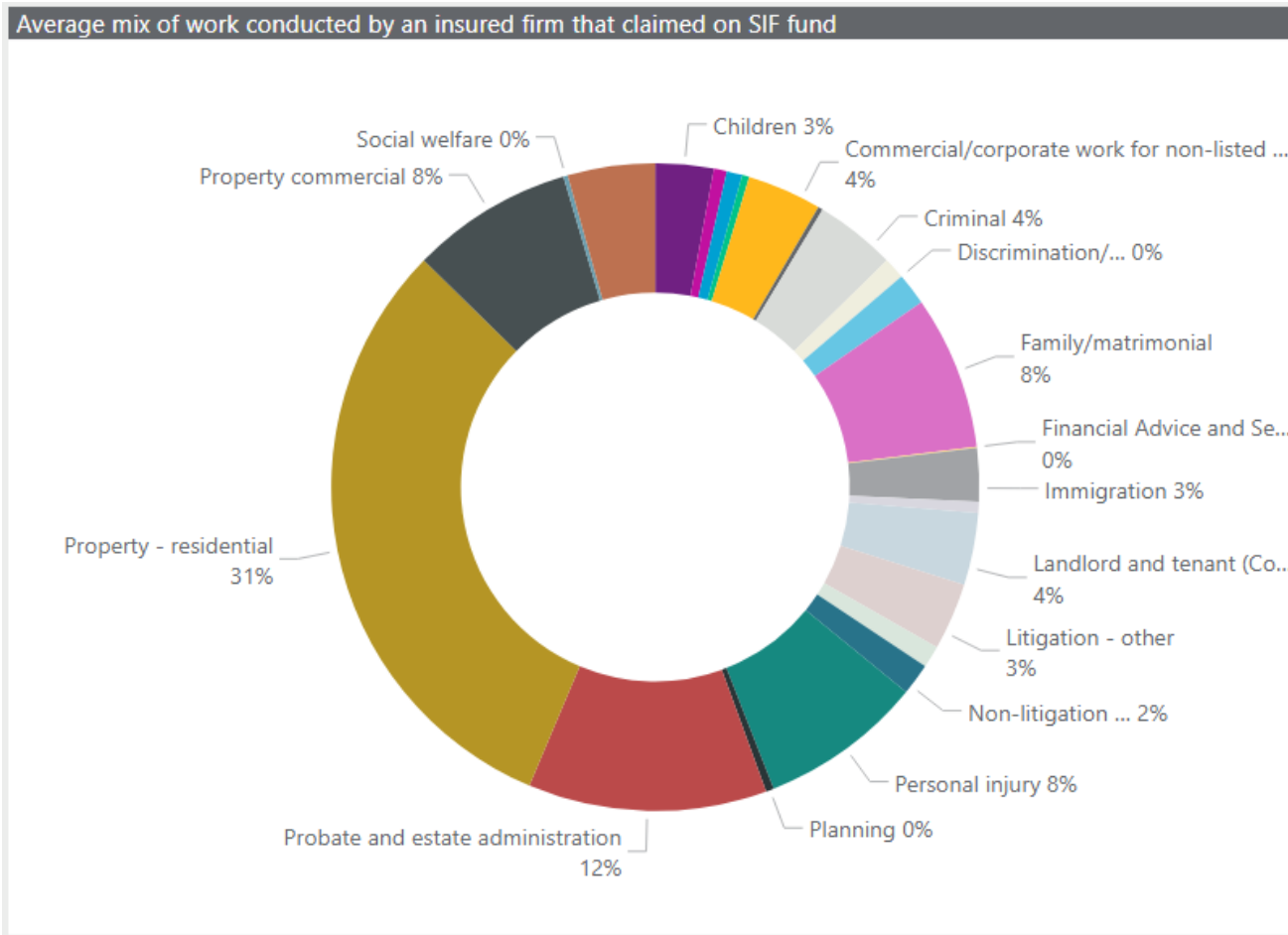
Net incurred by SRA / SIF partner count & type of work

SRA Partner Count	Conveyancing	Litigation	Other excl Trust Wills Probate	Personal Injury	Trust Wills Probate	Total	
1	236,938				30,278	267,215	
2-5	1,060,373				443,814	1,639,796	
6+	53,185				40,750	116,940	
unknown	5,171,054	8,899		581,978	85,875	837,383	6,685,189
Total	6,225,662	8,899		1,153,348	85,875	965,273	8,439,058

SIF Practice size	Conveyancing	Litigation	Other excl Trust Wills Probate	Personal Injury	Trust Wills Probate	Total	
1	1,598,363	8,899		50,811	36,702	543,625	2,238,400
2-5	1,478,193			329,275	24,336	310,061	2,141,865
6+	575,293			267,093	3,613	23,005	869,003
unknown	2,573,814			506,169	21,225	88,582	3,189,791
Total	6,225,662	8,899		1,153,348	85,875	965,273	8,439,058

The majority of claims derive from Conveyancing practices, with a significant portion deriving from firms that have less than five partners (according to SIF data).

Average mix of work of an insured firm that made a PSYROC claim

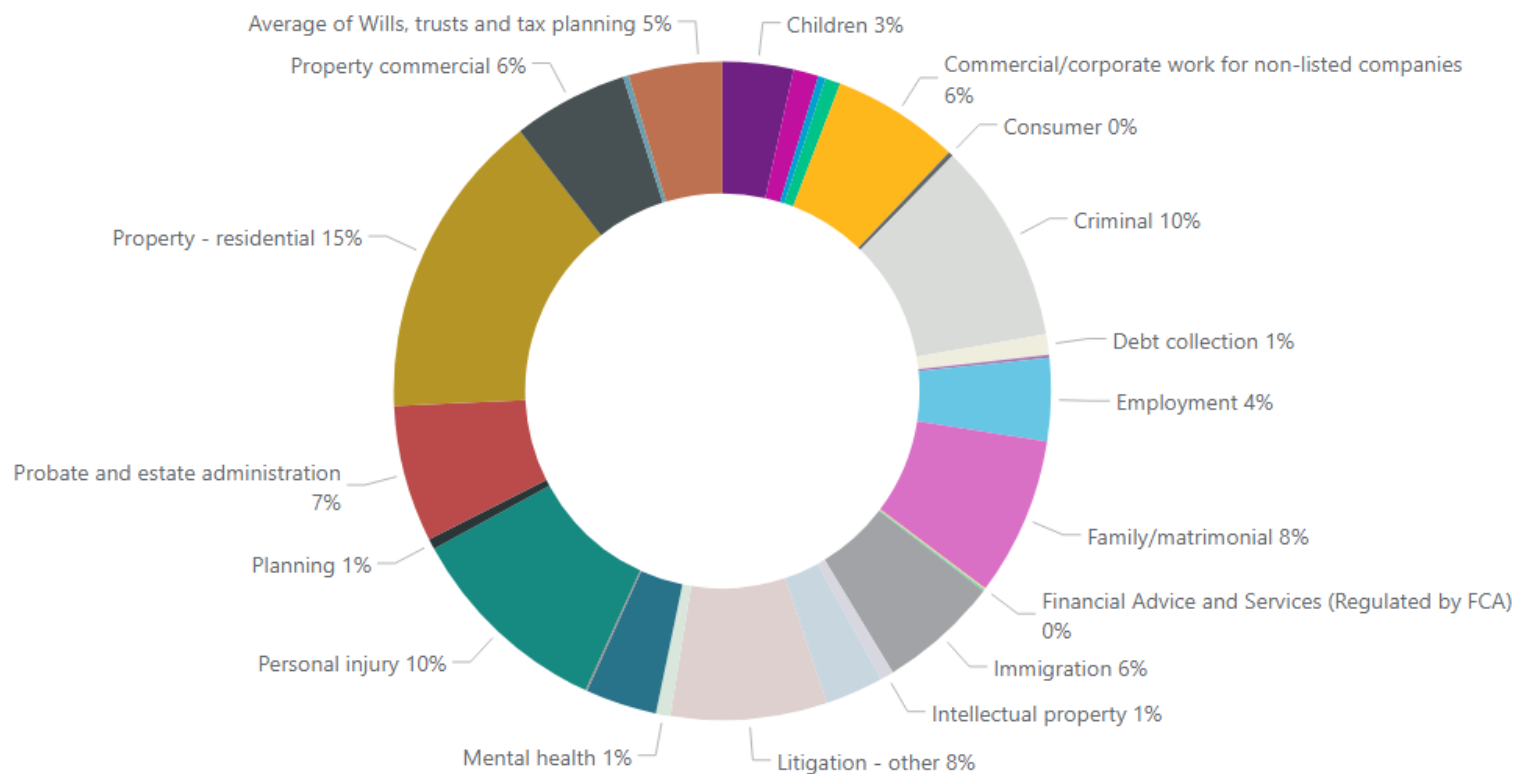


The donut chart left shows the average mix of work for firms that made a PSYROC claim. Property and probate make up 43% of the work performed by practices that made a claim.

The overall average mix is derived using partner counts as weights as we did not have access to turnover data.

Average mix of work of a SRA practice

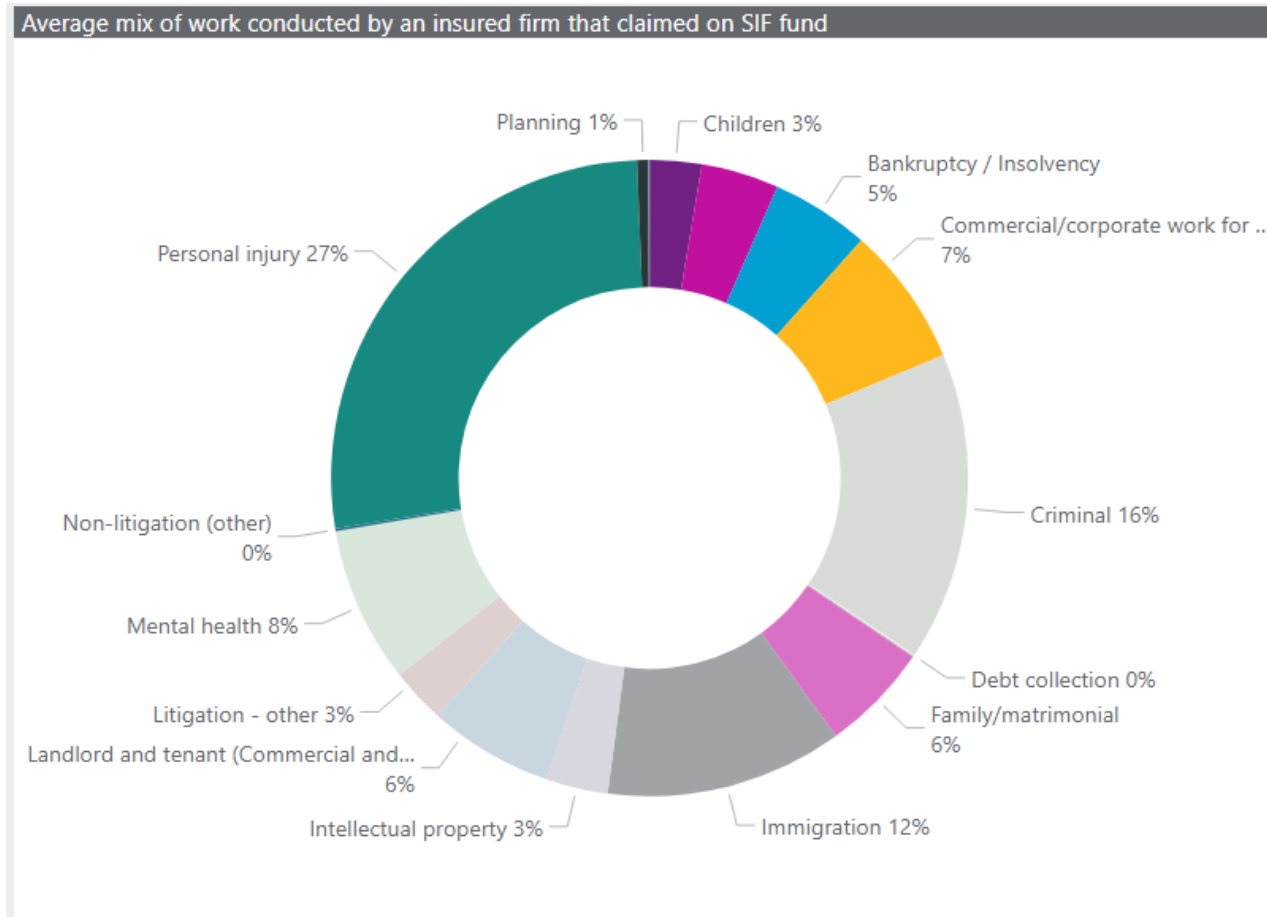
Average mix of work conducted by an SRA practice



The above donut chart shows the average mix of work of an SRA practice. Note this provides a benchmark against closed firms only as we did not receive open firm data.

Average mix of work of insured firm that made a PSYROC claim

Excluding Property (residential & commercial) and Probate & estate



Removing Property – Residential, Property – Commercial and Probate from the donut chart results in the left exhibit. This provides an indication of what ‘Other’ work firms who required PSYROC cover conducted. Personal injury, Criminal and Immigration make up a significant portion of the practice areas.

Mix of work between SRA closed practices and those who claimed

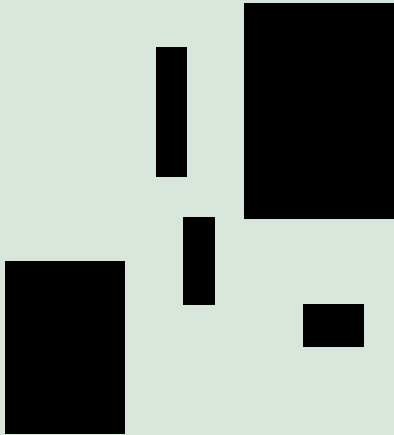
Rate of claims by mix of work

Type of work	Average % of work by firm who claimed	Average % of work by closed practice	Rate (firms who claimed / all ceased practices)
Property - Residential	31	15	207%
Property - Commercial	8	6	133%
Probate - Estate	12	7	171%
Personal Injury	8	10	80%
Family/Matrimonial	8	8	100%
Litigation - Other	3	8	38%
Other	30	46	65%

The above table provides the rates for the most significant areas of work on average. The rate shows that firms who claimed on SIF practiced more in property and probate compared to an average closed firm. Conversely, firms who performed personal injury, matrimonial and litigation were less likely to claim on SIF compared to average.

SRA EDI Data Analysis

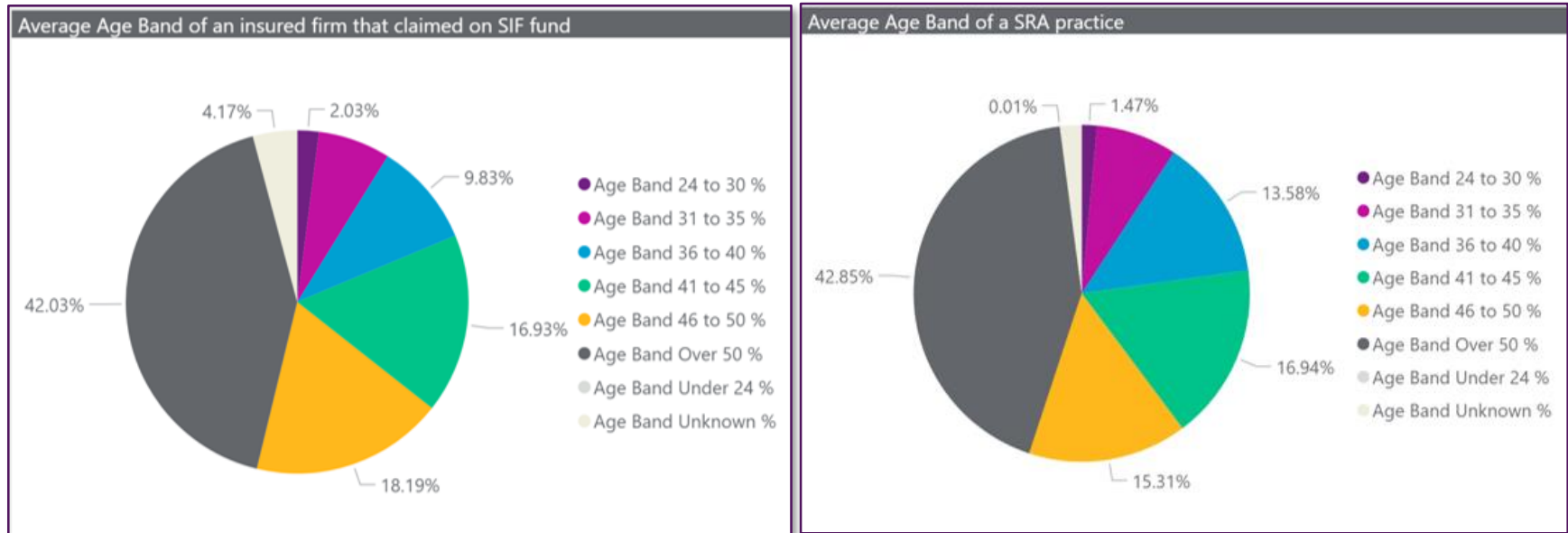
Appendix 2.2



Appendix 2.2 Contents

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■ Disability profile of practice	92
■ Average gender mix of practice	93

Average age band of practice



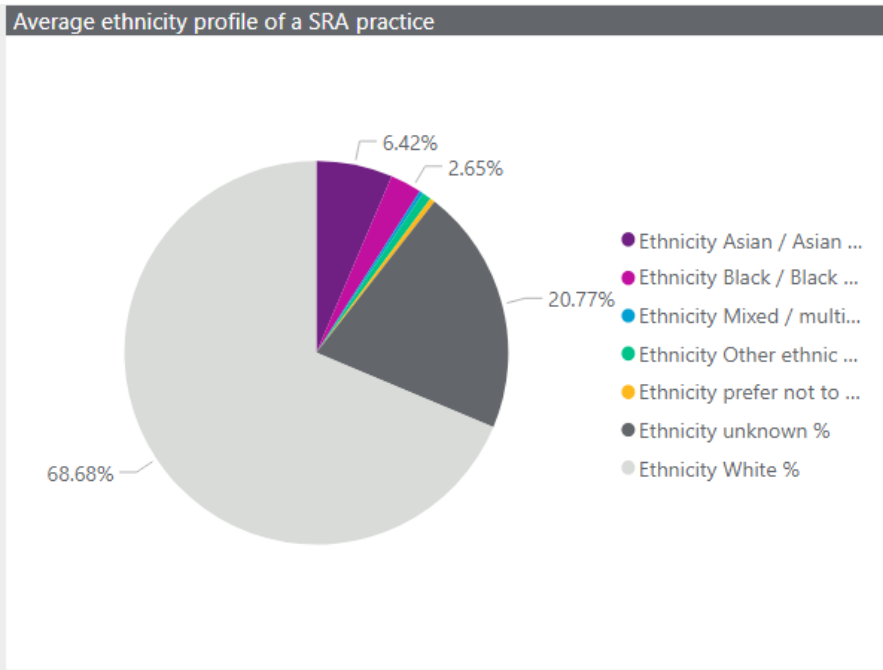
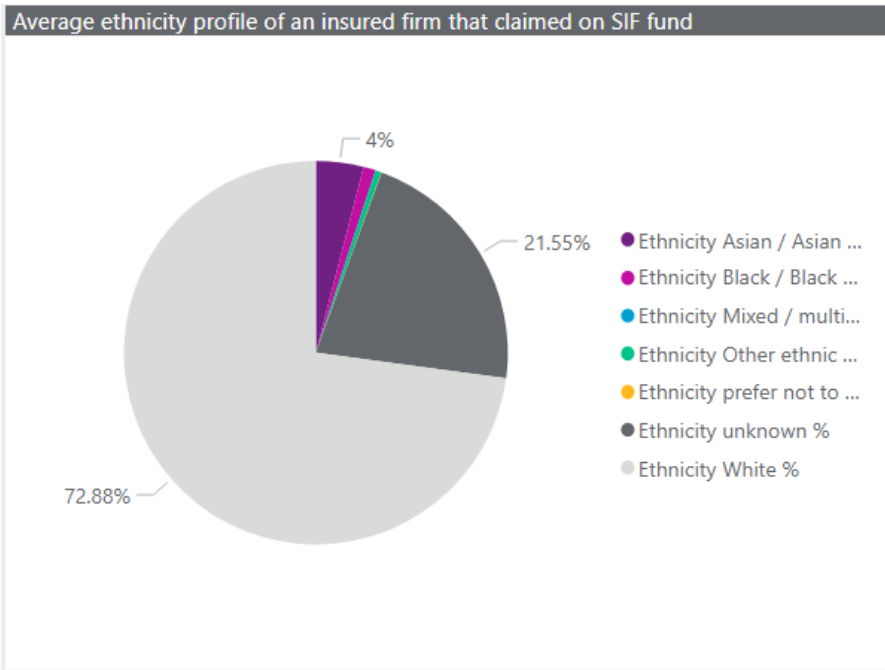
The above pie charts show the average age bands of firm who claims on SIF fund and compares this against the average age band of an SRA practice. Comparison data is against all closed firms.

There are fewer claims made by firms with average ages less than 40 compared to the average profile of an SRA practice. Majority of claims are made by firms with an average age over 46.

The table on the right shows 46 – 50 year old’s and under 30s were more likely to claim on SIF compared to an average closed practice.

Age Band	% firms who claimed	% all closed practices	Rate
Under 30	6.2	3.55	175%
31 - 35	6.82	7.77	88%
36 - 40	9.83	13.58	72%
41 - 45	16.93	16.94	100%
46 - 50	18.19	15.31	119%
Over 50	42.03	42.85	98%

Ethnicity profile of practice

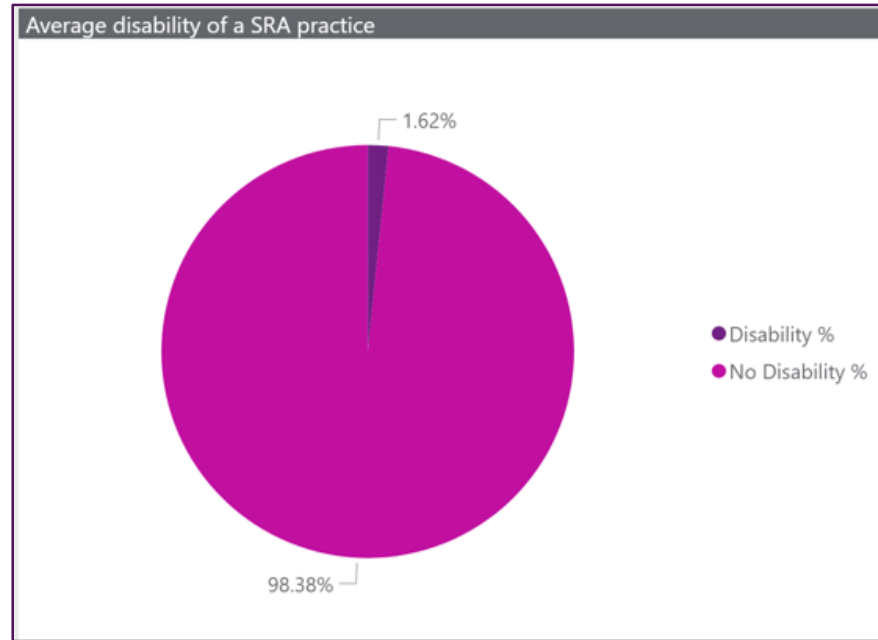
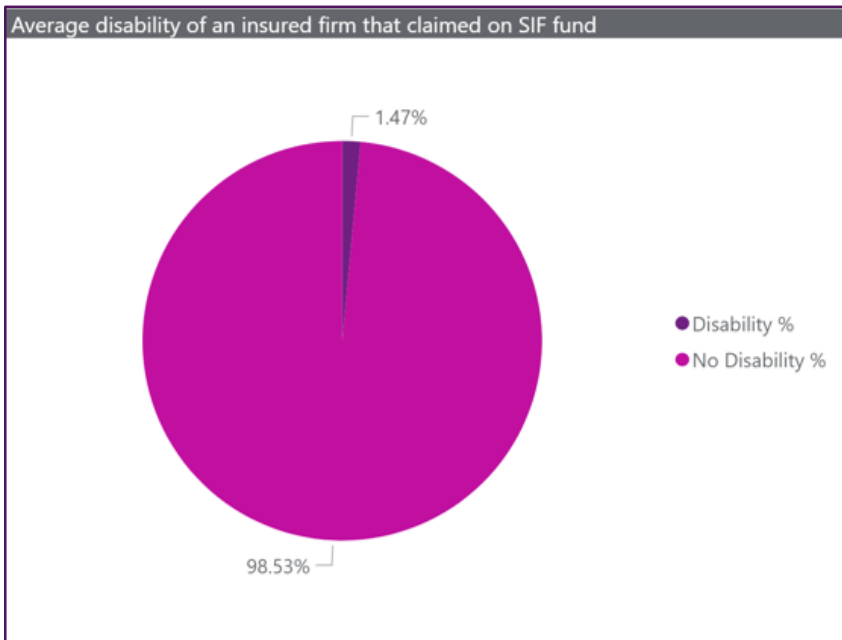


The above pie charts show the average ethnicity profile of firms that made claims on the SIF fund and compares this against the average ethnicity profile for all ceased practices.

The table on the right shows more white / other ethnicities claimed on SIF compared to the average profile of an SRA closed practice.

Ethnicity	% firms who claimed	% all closed practices	Rate
White	72.88	68.68	106%
Non-White	5.57	10.55	53%
Other	21.55	20.77	104%

Disability profile of practice



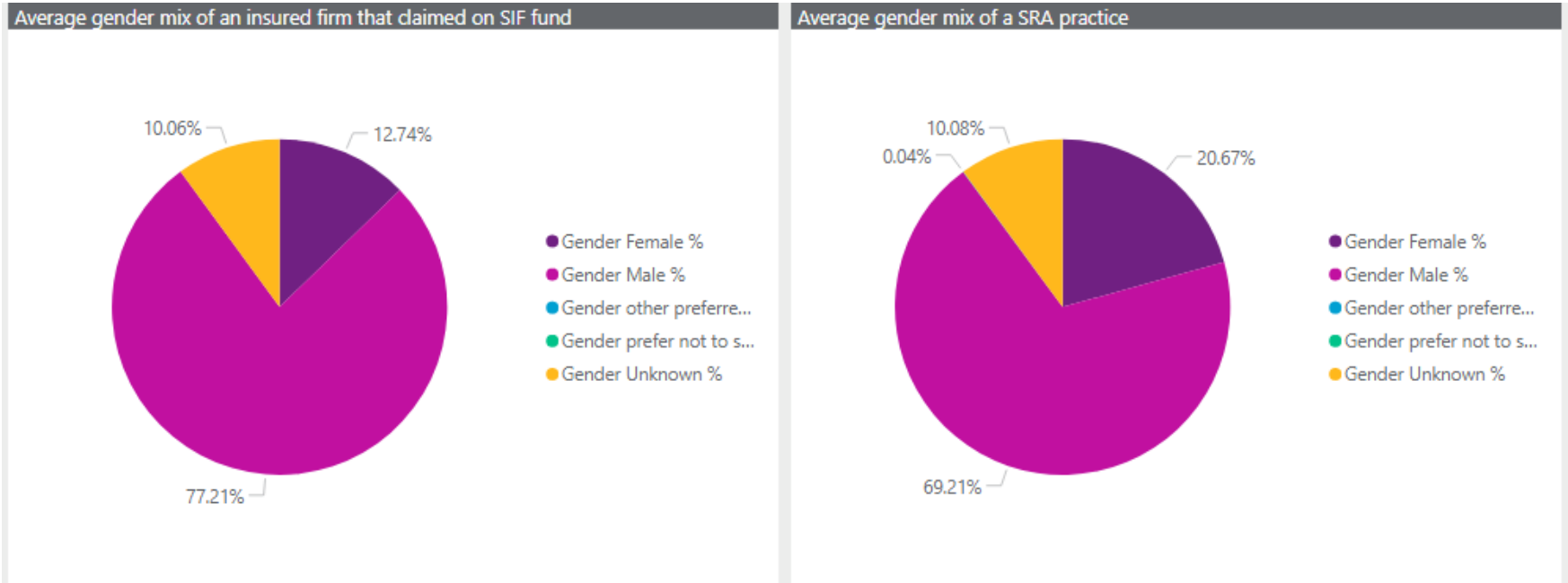
The above pie charts show the average disability profile of a firm who claimed on SIF fund and compares this against the average disability of an SRA practice. Comparison data is against all closed firms.

On average 1.6% of firms have solicitors who are disabled, a smaller percentage make up the profile of claimants on the SIF fund.

The table on the right shows there is a slightly smaller rate of claim on SIF for firms who have partners with a disability.

Disability	% firms who claimed	% all closed practices	Rate
No disability	98.53	98.38	100%
Disability	1.47	1.62	91%

Average gender mix of practice



The above pie charts show the average gender mix of firms who claimed on SIF fund and compares this against the average gender mix of closed practices. Comparison data is against all closed firms.

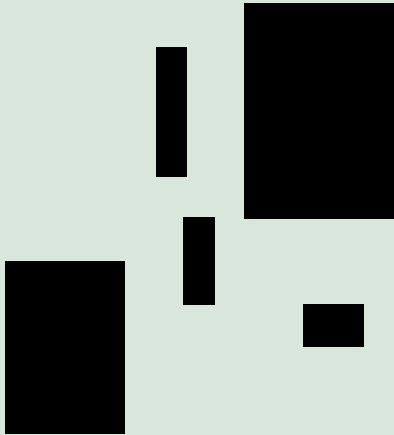
Most insured firms who made a claim on SIF are male, this is in line with the profile of an average SRA practice.

The table on the right shows that male partners have claimed more on SIF compared to an average closed practice.

Gender	% firms who claimed	% all closed practices	Rate
Male	77.21	69.21	112%
Female	12.74	20.67	62%
Other	10.06	10.08	100%

SRA Regional Data Analysis

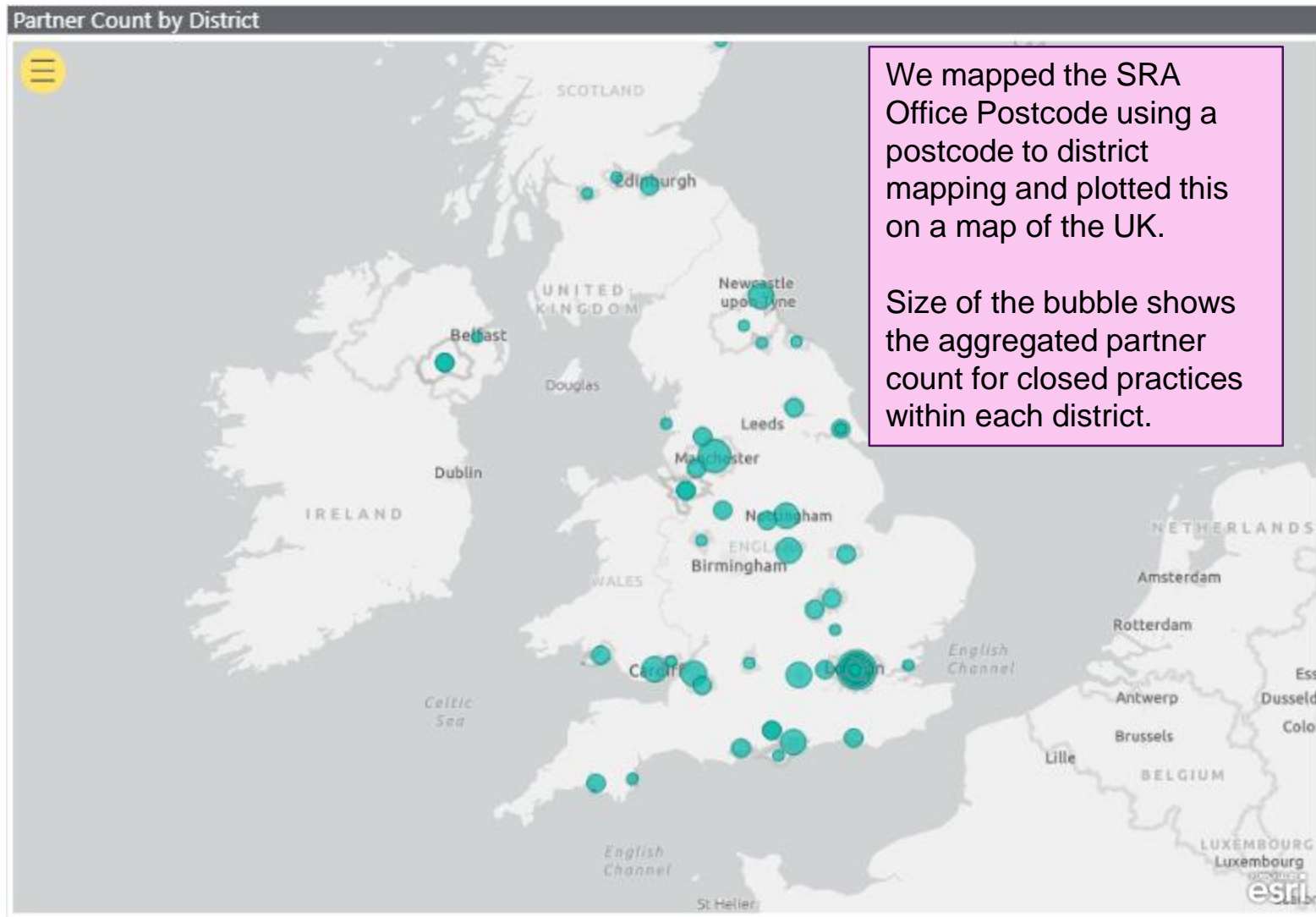
Appendix 2.3



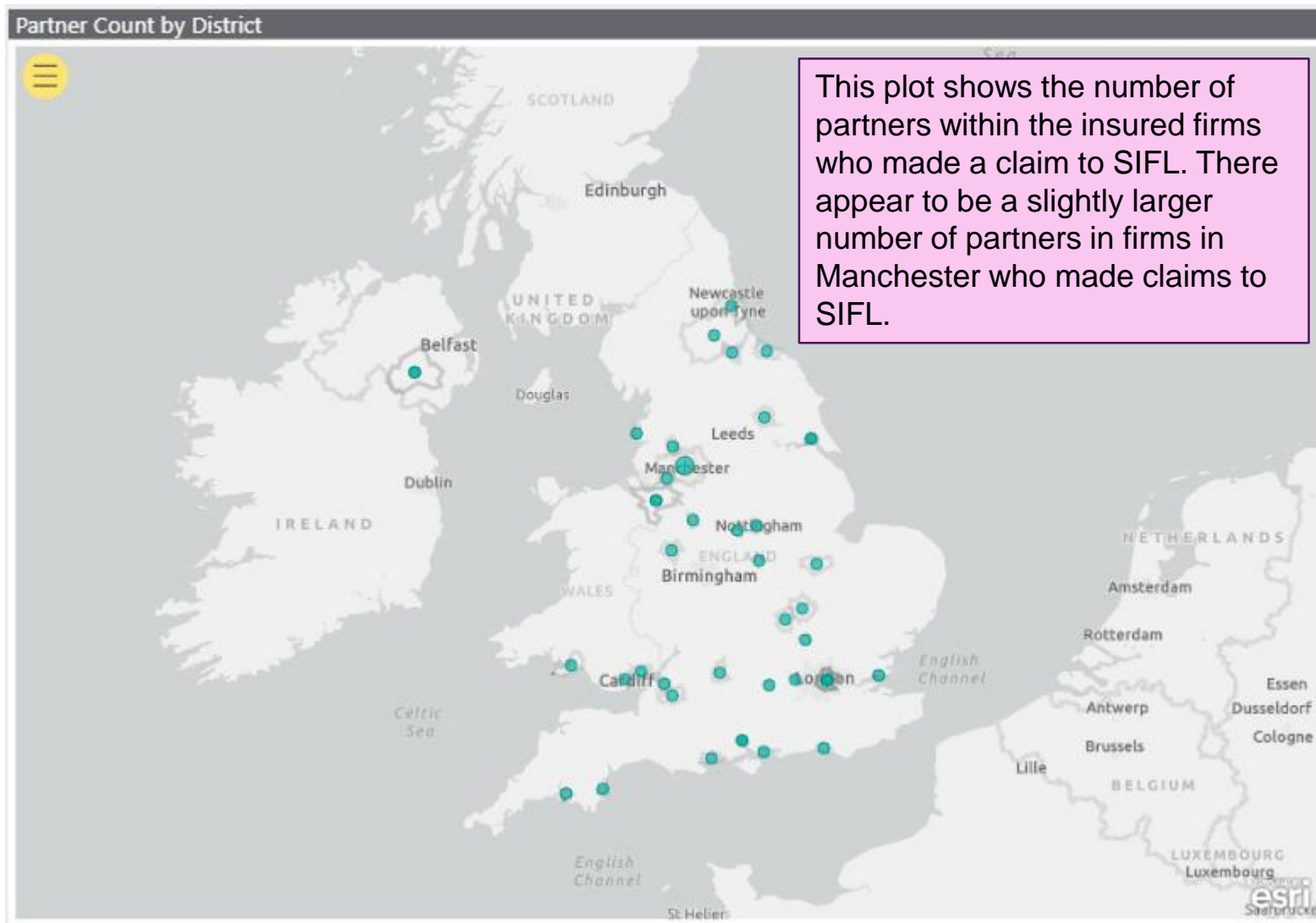
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■ Claim counts by district	98

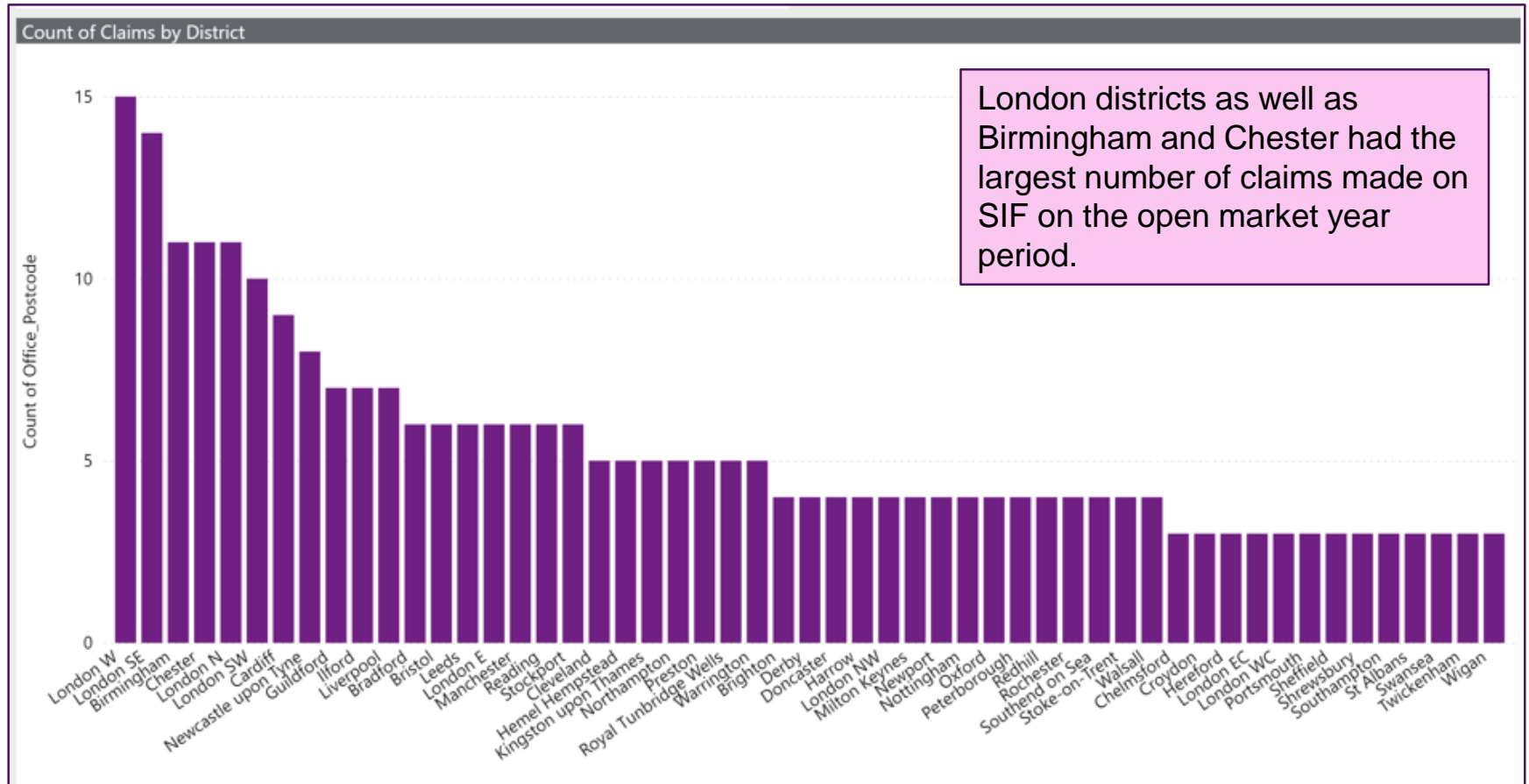
Partner Count by District



Partner Count by District (for all insured firms that claimed on SIF)

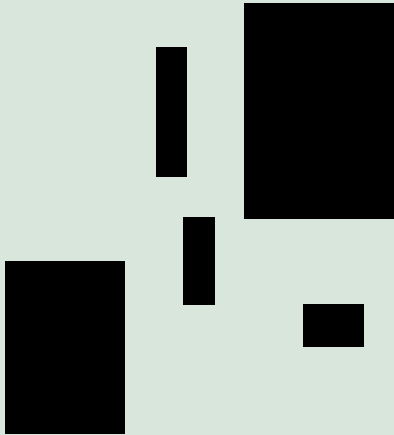


Claim counts by district (on all open market years 2001 – 2016)



Summary of claim projections

Appendix 3



Appendix 3 Contents

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■ Summary of projected claims analysis – low & high	102
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■ Projected claim amounts by cessation year	104
■ Projected claim counts by cessation year	105

Summary of projected claims analysis

Cessation Year	Future Claim Counts (post Sept-2022)	Future Claim Amounts (post Sept-2022)					
2001 - 2016	176	6,026,535					
Post 2016	184	6,401,350					
Total	359	12,427,885					

Cessation Year	Future Claim Count (Mid)	SIF Coverage of Claims Notified between April 2021 - Sept 2022	Future Claim Counts (post Sept-2022)	Selected Total Cost (Mid)	SIF Coverage of Total Claim Amounts	Future Claim Amounts (post Sept-2022)
2001 - 2016	228	53	176	14,482,081	8,455,545	6,026,535
Post 2016	184		184	6,401,350		6,401,350
Total	412	53	359	20,883,430	8,455,545	12,427,885

Summary of projected claims analysis – high & low estimates

Cessation Year	Future Claim Count (Low)	Future Claim Count (Mid)	Future Claim Count (High)	Cessation Year	Future Claim Amounts (Low)	Future Claim Amounts (Mid)	Future Claim Amounts (High)
2001 - 2016	179	228	277	2001 - 2016	4,976,352	6,043,023	7,109,693
Post 2016	139	184	228	Post 2016	4,844,919	6,401,350	7,957,781
Total	319	412	505	Total	9,821,271	12,444,372	15,067,474

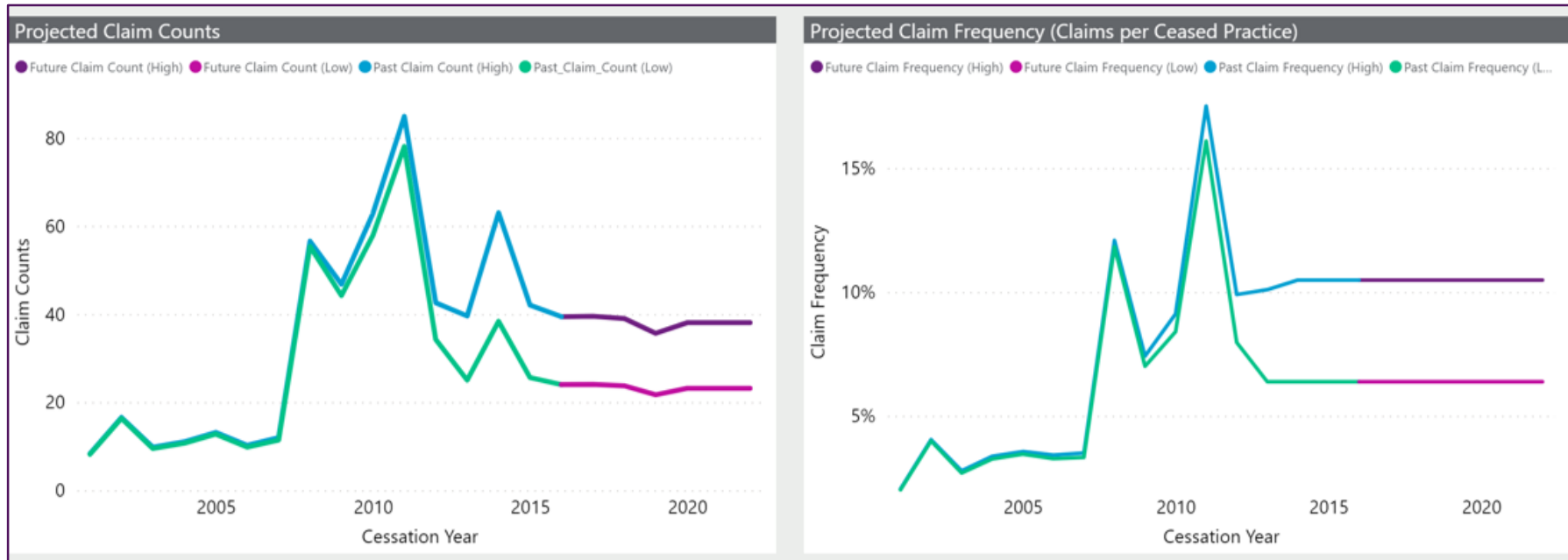
To capture the volatility of the fund, we provide a range for the projection of claim counts and amounts.

The high estimate is based off an 8-year average of claim counts across all data points received from SIF. The low estimate is based off an 8-year average of claim counts excluding a data point which appeared unusually high (33 claims on 2011).

We then used an additive development factor method to project the number of claims on both a low and high basis. The mid estimate is an average of the two projections.

We calculated an average cost per claim based on historical average claim amounts and applied an inflation assumption of 3% for future years.

Projected claim counts & frequency



The above left graph shows the projected number of claim counts, high and low estimate, on years that are currently open to PSYROC. The above right graph shows the claim frequency (number of claims per ceased practice) for these years. We project between 6-10% of practices who ceased between 2013 - 2016 to make a PSYROC claim, this results in 20-40 claims on these years.

Projected claim amounts by cessation year

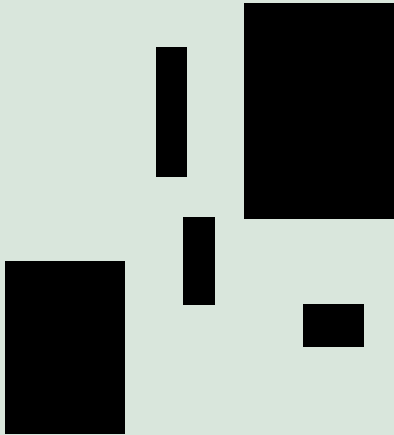
Cessation Year	Number of Ceased Practices	Selected Total Cost (Low)	Selected Total Cost (Mid)	Selected Total Cost (High)	Reported Claims	Future Claim Amounts (Low)	Future Claim Amounts (Mid)	Future Claim Amounts (High)
2001 - 2016								
2001	406	143,673	143,673	143,673	143,373	300	300	300
2002	409	326,028	326,028	326,028	324,579	1,448	1,448	1,448
2003	351	55,821	55,821	55,821	55,316	505	505	505
2004	327	573,685	573,685	573,685	563,570	10,115	10,115	10,115
2005	369	189,199	189,199	189,199	182,973	6,227	6,227	6,227
2006	299	164,095	164,095	164,095	154,452	9,643	9,643	9,643
2007	342	688,704	688,704	688,704	619,679	69,025	69,025	69,025
2008	468	1,591,214	1,591,214	1,591,214	1,332,028	259,186	259,186	259,186
2009	631	1,470,796	1,470,796	1,470,796	1,240,059	230,738	230,738	230,738
2010	689	1,633,410	1,633,410	1,633,410	1,285,664	347,746	347,746	347,746
2011	485	2,431,752	2,431,752	2,431,752	2,207,046	224,706	224,706	224,706
2012	430	758,715	758,715	758,715	330,318	428,398	428,398	428,398
2013	392	719,000	928,152	1,137,305	0	719,000	928,152	1,137,305
2014	601	1,135,414	1,500,166	1,864,918	0	1,135,414	1,500,166	1,864,918
2015	401	780,300	1,030,971	1,281,643	0	780,300	1,030,971	1,281,643
2016	376	753,602	995,697	1,237,792	0	753,602	995,697	1,237,792
Total	6976	13,415,410	14,482,081	15,548,751	8,439,058	4,976,352	6,043,023	7,109,693
Post 2016								
2017	377	778,275	1,028,296	1,278,316	0	778,275	1,028,296	1,278,316
2018	372	790,991	1,045,097	1,299,203	0	790,991	1,045,097	1,299,203
2019	340	744,638	983,852	1,223,067	0	744,638	983,852	1,223,067
2020	363	818,860	1,081,919	1,344,978	0	818,860	1,081,919	1,344,978
2021	363	843,426	1,114,377	1,385,328	0	843,426	1,114,377	1,385,328
2022	363	868,729	1,147,808	1,426,888	0	868,729	1,147,808	1,426,888
Total	2178	4,844,919	6,401,350	7,957,781	0	4,844,919	6,401,350	7,957,781
Total	9154	18,260,329	20,883,430	23,506,532	8,439,058	9,821,271	12,444,372	15,067,474

Projected claim counts by cessation year

Cessation Year	Number of Ceased Practices	Projected Claim Count (Low)	Projected Claim Count (Mid)	Projected Claim Count (High)	Reported Claim Numbers	Future Claim Count (High)	Future Claim Count (Mid)	Future Claim Count (Low)
2001 - 2016								
2001	406	8	8	8	8	0	0	0
2002	409	16	16	17	16	1	0	0
2003	351	9	10	10	9	1	1	0
2004	327	11	11	11	10	1	1	1
2005	369	13	13	13	12	1	1	1
2006	299	10	10	10	9	1	1	1
2007	342	11	12	12	10	2	2	1
2008	468	55	56	57	52	5	4	3
2009	631	44	46	47	37	10	9	7
2010	689	58	60	63	45	18	15	13
2011	485	78	81	85	60	25	21	18
2012	430	34	38	43	14	29	24	20
2013	392	25	32	40	0	40	32	25
2014	601	38	51	63	0	63	51	38
2015	401	26	34	42	0	42	34	26
2016	376	24	32	39	0	39	32	24
Total	6976	461	510	559	282	277	228	179
Post 2016								
2017	377	24	32	40	0	40	32	24
2018	372	24	31	39	0	39	31	24
2019	340	22	29	36	0	36	29	22
2020	363	23	31	38	0	38	31	23
2021	363	23	31	38	0	38	31	23
2022	363	23	31	38	0	38	31	23
Total	2178	139	184	228	0	228	184	139
Total	9154	601	694	787	282	505	412	319

Detailed summary of claim projections

Appendix 4

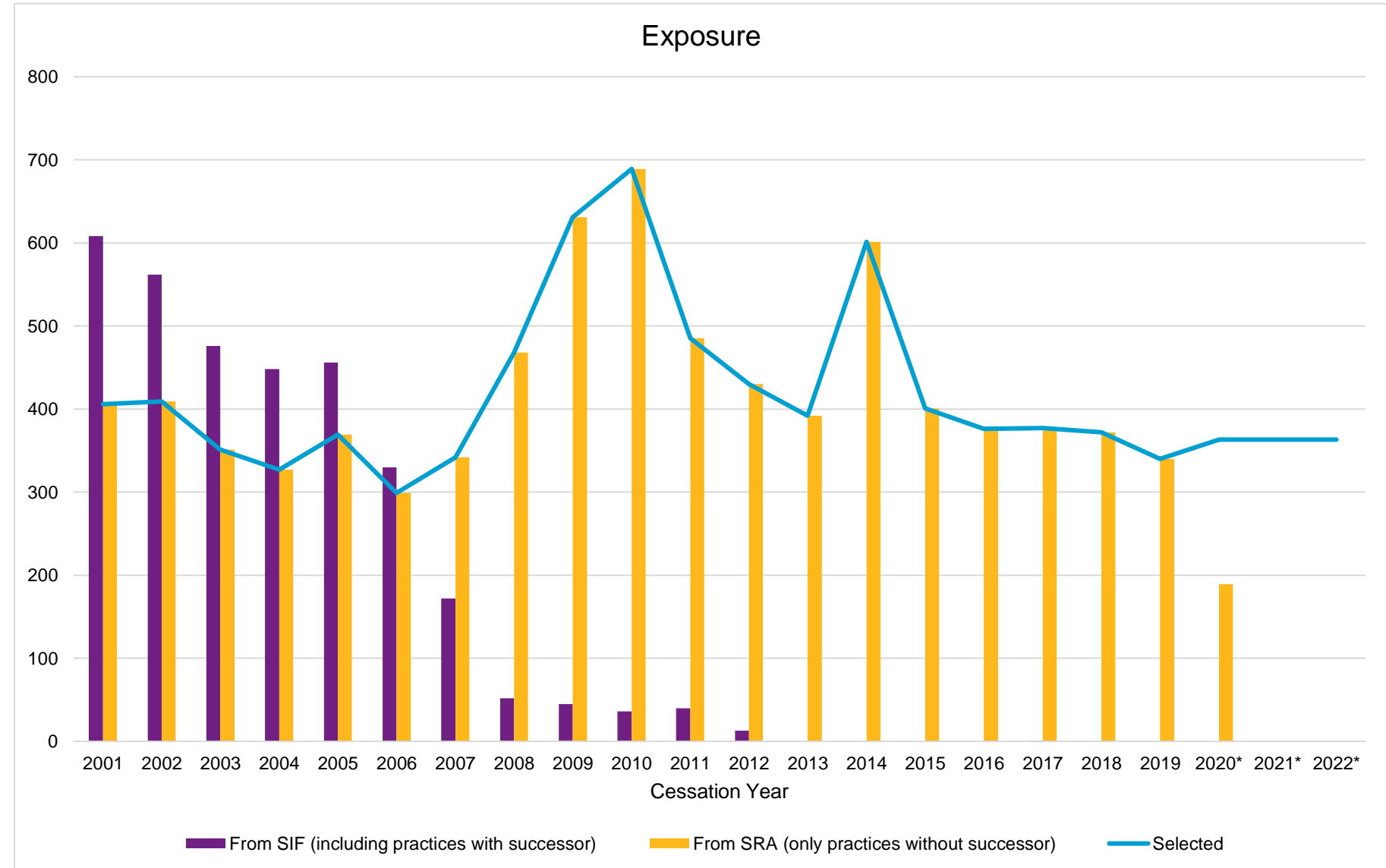


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Solicitors Indemnity Fund - Summary of Ceased Practice Exposure as at 30 April 2020

Cessation Year	From SIF (including practices with successor)	From SRA (only practices without successor)	Selected
1986			
1987			
1988	777		777
1989	717		717
1990	716		716
1991	594		594
1992	669		669
1993	717		717
1994	713		713
1995	844		844
1996	748		748
1997	692		692
1998	724		724
1999	923		923
2000	1222	606	606
2001	608	406	406
2002	562	409	409
2003	476	351	351
2004	448	327	327
2005	456	369	369
2006	330	299	299
2007	172	342	342
2008	52	468	468
2009	45	631	631
2010	36	689	689
2011	40	485	485
2012	13	430	430
2013	0	392	392
2014	0	601	601
2015	0	401	401
2016	0	376	376
2017	1	377	377
2018	0	372	372
2019	0	340	340
2020*	0	189	363
2021*	0		363
2022*	0		363



*2020-2022 selected exposure set in line with an average of the 2017-2019 cessation years

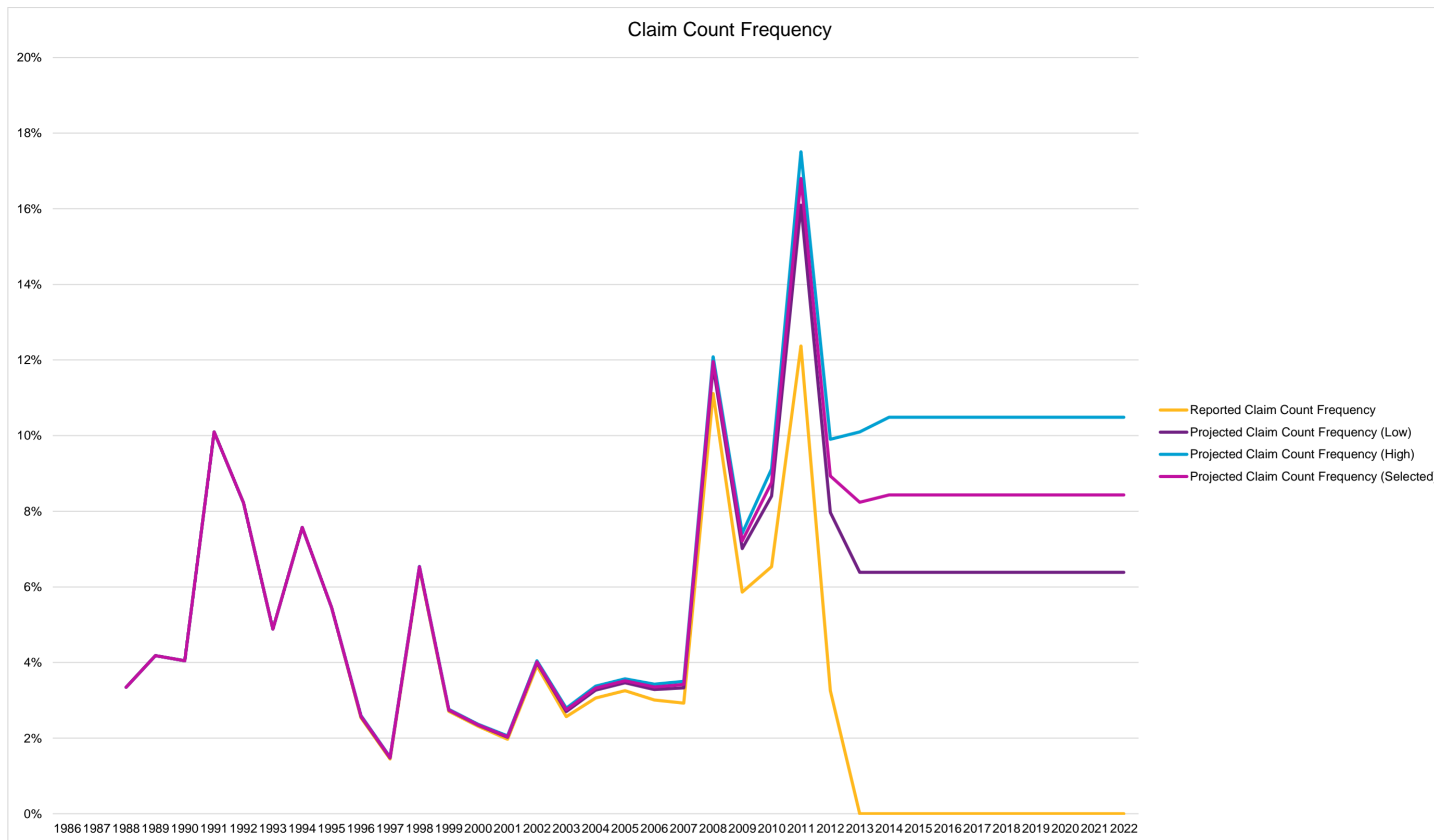
**Solicitors Indemnity Fund - P6YROC Analysis by Cessation Year - Summary of Assumptions and Projections
as at 30 April 2020**

Cessation Year	Exposure	Reported Claim Numbers	Projected Claim Numbers Ultimate (Low)	Projected Claim Numbers Ultimate (High)	Projected Claim Numbers Ultimate - Selected	Paid Claims	Paid DFM %	Outstanding Claims	Incurred Claims	Incurred DFM %	Incurred ACPC
1986	0	1	1	1	1	53,244	100%	0	53,244	100%	53,244
1987	0	6	6	6	6	63,988	100%	0	63,988	100%	10,665
1988	777	26	26	26	26	302,514	100%	0	302,514	100%	11,635
1989	717	30	30	30	30	120,506	100%	0	120,506	100%	4,017
1990	716	29	29	29	29	265,282	100%	0	265,282	100%	9,148
1991	594	60	60	60	60	1,227,707	100%	0	1,227,707	100%	20,462
1992	669	55	55	55	55	405,080	100%	0	405,080	100%	7,365
1993	717	35	35	35	35	204,076	100%	0	204,076	100%	5,831
1994	713	54	54	54	54	187,268	100%	0	187,268	100%	3,468
1995	844	46	46	46	46	774,338	100%	0	774,338	100%	16,833
1996	748	19	19	19	19	224,630	100%	10,000	234,630	100%	12,349
1997	692	10	10	10	10	241,485	100%	0	241,485	100%	24,148
1998	724	47	47	47	47	395,363	100%	0	395,363	100%	8,412
1999	923	25	25	25	25	150,980	100%	0	150,980	100%	6,039
2000	606	14	14	14	14	81,638	100%	766,450	848,088	100%	60,578
2001	406	8	8	8	8	143,373	100%	0	143,373	100%	17,922
2002	409	16	16	17	16	190,079	100%	134,500	324,579	100%	20,286
2003	351	9	9	10	10	50,316	98%	5,000	55,316	99%	6,146
2004	327	10	11	11	11	430,570	95%	133,000	563,570	98%	56,357
2005	369	12	13	13	13	40,472	93%	142,501	182,973	97%	15,248
2006	299	9	10	10	10	67,452	91%	87,000	154,452	94%	17,161
2007	342	10	11	12	12	352,679	87%	267,000	619,679	90%	61,968
2008	468	52	55	57	56	668,564	82%	663,464	1,332,028	84%	25,616
2009	631	37	44	47	46	863,033	78%	377,026	1,240,059	84%	33,515
2010	689	45	58	63	60	299,842	62%	985,822	1,285,664	79%	28,570
2011	485	60	78	85	81	406,837	37%	1,800,209	2,207,046	74%	36,784
2012	430	14	34	43	38	142,699	15%	187,619	330,318	45%	23,594
2013	392	0	25	40	32	0	8%	0	0	24%	0
2014	601	0	38	63	51	0	2%	0	0	11%	0
2015	401	0	26	42	34	0	1%	0	0	5%	0
2016	376	0	24	39	32	0	0%	0	0	1%	0
2017	377	0	24	40	32	0	0%	0	0	0%	0
2018	372	0	24	39	31	0	0%	0	0	0%	0
2019	340	0	22	36	29	0	0%	0	0	0%	0
2020	363	0	23	38	31	0	0%	0	0	0%	0
2021	363	0	23	38	31	0	0%	0	0	0%	0
2022	363	0	23	38	31	0	0%	0	0	0%	0
Total - All Years	18,594	739	1,059	1,246	1,152	8,354,016		5,559,591	13,913,607		
Total - 2001+	9,154	282	601	787	694	3,655,917		4,783,141	8,439,058		
Total - 2001-2016	6,976	282	461	559	510	3,655,917		4,783,141	8,439,058		
Total - 2017+	2,178	0	139	228	184	0		0	0		

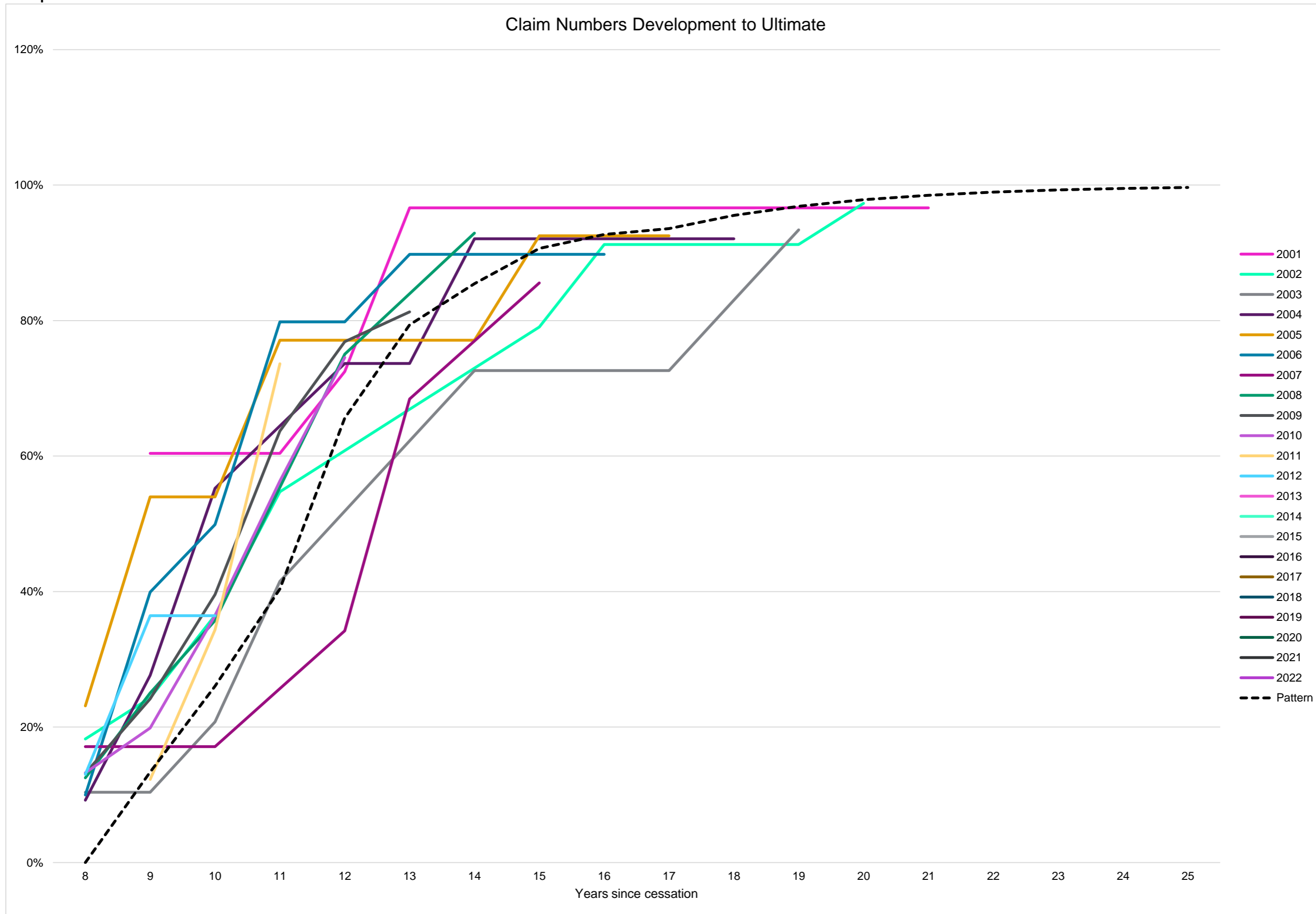
**Solicitors Indemnity Fund - P6YROC Analysis by Cessation Year - Summary of Assumptions and Projections
as at 30 April 2020**

Cessation Year	DFM Burn Cost	Selected Prior Burn Cost	Selected ACPC	Paid DFM Ultimate	Incurred DFM Ultimate	Paid BF Ultimate	Incurred BF Ultimate	Burn Cost Ultimate	ACPC Ultimate (Low)	ACPC Ultimate (High)	Projected Total Cost (Low)	Projected Total Cost (High)	Projected Total Cost (Selected)
1986	0	842	24,689	53,244	53,244	53,244	53,244	0	24,689	24,689	53,244	53,244	53,244
1986	0	868	5,094	63,988	63,988	63,988	63,988	0	30,561	30,561	63,988	63,988	63,988
1986	389	894	5,724	302,514	302,514	302,514	302,514	694,326	148,817	148,817	302,514	302,514	302,514
1986	168	920	2,035	120,506	120,506	120,506	120,506	659,931	61,060	61,060	120,506	120,506	120,506
1986	371	948	4,774	265,282	265,282	265,282	265,282	678,781	138,449	138,449	265,282	265,282	265,282
1986	2,067	976	10,999	1,227,707	1,227,707	1,227,707	1,227,707	580,017	659,953	659,953	1,227,707	1,227,707	1,227,707
1986	606	1,006	4,078	405,080	405,080	405,080	405,080	672,849	224,283	224,283	405,080	405,080	405,080
1986	285	1,036	3,325	204,076	204,076	204,076	204,077	742,759	116,382	116,382	204,076	204,076	204,076
1986	263	1,067	2,037	187,268	187,268	187,268	187,270	760,773	110,000	110,000	187,268	187,268	187,268
1986	917	1,099	10,185	774,338	774,344	774,338	774,346	927,567	468,491	468,491	774,344	774,344	774,344
1986	314	1,132	7,607	224,630	234,635	224,630	234,650	846,724	146,217	147,569	234,635	234,635	234,635
1986	349	1,166	15,189	241,485	241,501	241,485	241,538	806,833	155,010	157,508	241,501	241,501	241,501
1986	546	1,201	5,537	395,363	395,429	395,363	395,508	869,467	261,425	262,378	395,429	395,429	395,429
1986	164	1,237	4,069	150,980	151,041	150,980	151,441	1,141,704	102,851	103,744	151,041	151,041	151,041
1986	1,401	1,274	41,988	81,638	848,886	81,638	848,814	772,079	595,392	601,439	848,886	848,886	848,886
1986	354	1,312	12,651	143,373	143,673	143,373	144,486	532,785	103,793	105,649	143,673	143,673	143,673
1986	797	1,352	14,855	190,079	326,028	190,079	327,035	552,824	242,595	245,905	326,028	326,028	326,028
1986	159	1,392	4,512	51,553	55,821	62,038	59,736	488,661	42,782	44,180	55,821	55,821	55,821
1986	1,754	1,434	42,369	455,525	573,685	456,258	571,838	468,906	452,873	467,379	573,685	573,685	573,685
1986	513	1,477	12,040	43,639	189,199	80,032	200,909	545,006	153,836	158,488	189,199	189,199	189,199
1986	549	1,521	14,005	73,912	164,095	107,205	181,182	454,866	137,427	143,347	164,095	164,095	164,095
1986	2,014	1,567	52,155	406,906	688,704	424,096	673,389	535,890	594,082	625,011	688,704	688,704	688,704
1986	3,400	1,614	25,535	815,067	1,591,214	804,328	1,455,059	755,323	1,413,773	1,444,264	1,591,214	1,591,214	1,591,214
1986	2,331	1,662	30,428	1,105,112	1,470,796	1,092,808	1,404,617	1,048,947	1,345,987	1,423,877	1,470,796	1,470,796	1,470,796
1986	2,371	1,712	26,601	484,255	1,633,410	749,102	1,536,822	1,179,724	1,539,645	1,671,810	1,633,410	1,633,410	1,633,410
1986	6,172	1,764	30,242	1,099,625	2,993,452	945,722	2,431,752	855,343	2,360,924	2,567,773	2,431,752	2,431,752	2,431,752
1986	1,701	1,817	22,147	966,208	731,531	808,435	758,715	781,096	758,715	942,987	758,715	758,715	758,715
1986	0	2,368	28,730	0	0	928,152	928,152	928,152	719,000	1,137,305	719,000	1,137,305	928,152
1986	0	2,496	29,592	0	0	1,500,166	1,500,166	1,500,166	1,135,414	1,864,918	1,135,414	1,864,918	1,500,166
1986	0	2,571	30,480	0	0	1,030,971	1,030,971	1,030,971	780,300	1,281,643	780,300	1,281,643	1,030,971
1986	0	2,648	31,394	0	0	995,697	995,697	995,697	753,602	1,237,792	753,602	1,237,792	995,697
1986	0	2,728	32,336	0	0	1,028,296	1,028,296	1,028,296	778,275	1,278,316	778,275	1,278,316	1,028,296
1986	0	2,809	33,306	0	0	1,045,097	1,045,097	1,045,097	790,991	1,299,203	790,991	1,299,203	1,045,097
1986	0	2,894	34,305	0	0	983,852	983,852	983,852	744,638	1,223,067	744,638	1,223,067	983,852
1986	0	2,980	35,335	0	0	1,081,919	1,081,919	1,081,919	818,860	1,344,978	818,860	1,344,978	1,081,919
1986	0	3,070	36,395	0	0	1,114,377	1,114,377	1,114,377	843,426	1,385,328	843,426	1,385,328	1,114,377
1986	0	3,162	37,487	0	0	1,147,808	1,147,808	1,147,808	868,729	1,426,888	868,729	1,426,888	1,147,808
Total - All Years				10,533,355	16,037,112	21,417,914	26,077,843	29,209,518	20,623,249	26,575,431	23,735,832	28,982,035	26,358,934
Total - 2001+				5,835,256	10,561,609	16,719,815	20,601,877	19,055,709	17,379,668	23,320,107	18,260,329	23,506,532	20,883,430
Total - 2001-2016				5,835,256	10,561,609	10,318,465	14,200,527	12,654,359	12,534,749	15,362,326	13,415,410	15,548,751	14,482,081
Total - 2017+				0	0	6,401,350	6,401,350	6,401,350	4,844,919	7,957,781	4,844,919	7,957,781	6,401,350

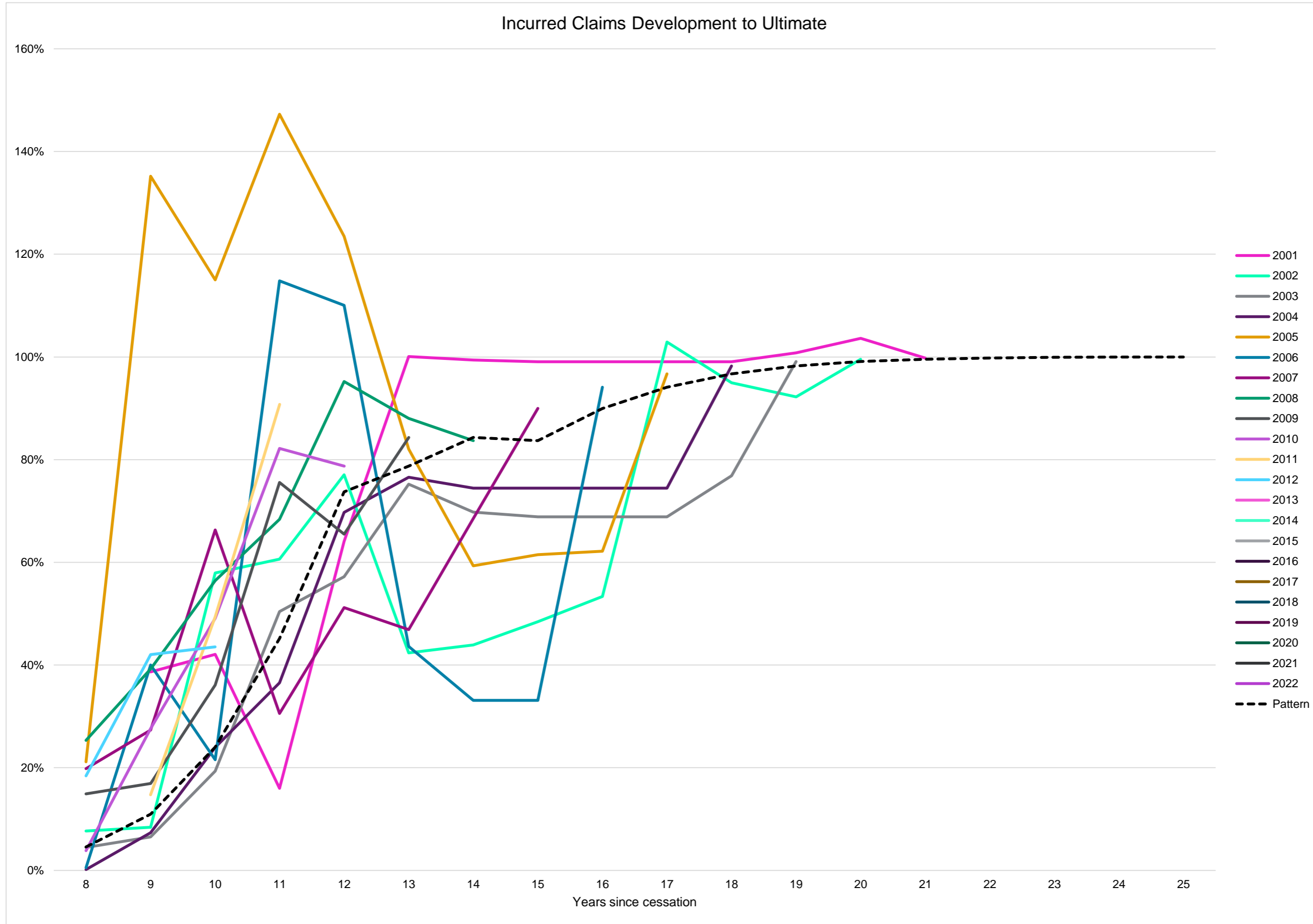
Solicitors Indemnity Fund - P6YROC Analysis by Cessation Year - Claim Count Frequency as at 30 April 2020



Solicitors Indemnity Fund - P6YROC Cessation Year Analysis - Non-Nil Reported Claims Triangle Projections
as at 30 April 2020



Solicitors Indemnity Fund - P6YROC Cessation Year Analysis - Incurred Claims (£000s) Triangle Projections
as at 30 April 2020



**Solicitors Indemnity Fund - P6YROC Cessation Year Analysis - Non-Nil Reported Claims Triangle Projections - Low Scenario
as at 30 April 2020**

Incremental Claim Numbers (Normalised)

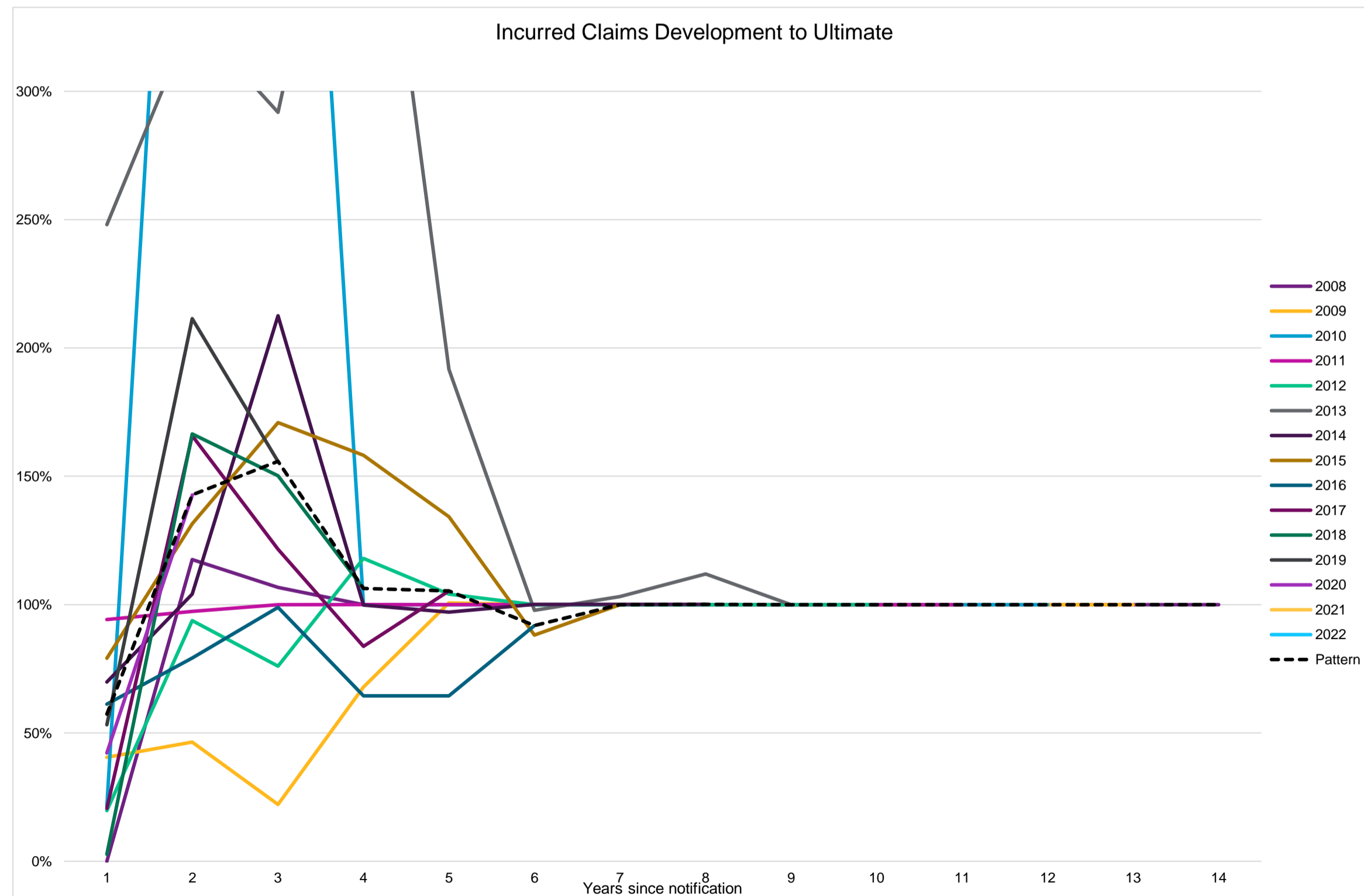
Cessation Year	Year																																				Simple 5	Simple 12	Simple All	Selected									
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36													
1986																																					1	1	1	1									
1987																																								6	6	6	6						
1988	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	17	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	26	26	26	26					
1989	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	20	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	30	30	30	30				
1990	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	29	29	29	29				
1991	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	51	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	60	60	60	60				
1992	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	41	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	55	55	55	55					
1993	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	24	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	35	35	35	35					
1994	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	38	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	54	54	54	54					
1995	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	27	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	46	46	46	46					
1996	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	11	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	19	19	19	19						
1997	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10	10	10	10					
1998	0	0	0	0	0	0	0	0	0	0	0	0	32	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	47	47	47	47						
1999	0	0	0	0	0	0	0	0	0	0	0	13	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	25	25	25	25						
2000	0	0	0	0	0	0	0	0	0	0	6	1	2	0	1	0	0	0	1	1	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	14	14	16	14							
2001	0	0	0	0	0	0	0	0	0	6	0	0	1	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8	8	10	8							
2002	0	0	0	0	0	0	0	0	4	1	2	4	1	1	1	1	1	2	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	17	16	20	16								
2003	0	0	0	0	0	0	0	1	0	1	3	1	1	1	0	0	0	1	1	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	10	9	14	9									
2004	0	0	0	0	0	0	0	2	3	5	2	2	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	11	11	17	11								
2005	0	0	0	0	0	0	0	4	5	0	4	0	0	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	13	13	21	13								
2006	0	0	0	0	0	0	0	2	5	2	5	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10	10	17	10									
2007	0	0	0	0	0	0	0	3	0	0	1	1	6	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	12	11	21	11									
2008	0	0	0	0	0	0	0	7	7	6	12	12	5	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	57	54	68	55										
2009	0	0	0	0	0	0	0	5	4	6	9	5	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	47	42	60	44										
2010	0	0	0	0	0	0	0	6	3	7	9	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	63	55	73	58										
2011	0	0	0	0	0	0	0	0	0	0	0	0	10	19	33	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	85	71	84	78											
2012	0	0	0	0	0	0	0	6	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	43	27	37	34											
2013	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	30	15	23	25											
2014	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	49	27	36	38											
2015	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	33	18	24	26											
2016	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	31	17	23	24												
2017	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	31	17	23	24												
2018	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	31	17	23	24												
2019	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	28	15	21	22												
2020	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	30	16	22	23												
2021	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	30	16	22	23												
2022	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0					
Inc Simple Average 5	0	0	0	0	0	0	0	2	6	8	13	5	3	2	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
Inc Simple Average 12	0	0	0	0	0	0	0	3	4	4	4	3	2	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Inc Simple Average All	0	0	0	0	0	0	0	1	2	2	4	3	1	1	2	2	1	3	3	1	2	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Cum Simple Average 5	41	41	41	41	41	41	41	39	33	26	13	8	5	3	2	2	2	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Cum Simple Average 12	23	23	23	23	23	23	23	20	15	11	7	4	3	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Cum Simple Average All	30	30	30	30	30	30	30	29	27	25	21	18	17	15	14	12	10	8	4	3	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Solicitors Indemnity Fund - P6YROC Analysis by Notification Year - Summary of Assumptions and Projections
as at 30 April 2020

Notification Year	Reported Claim Numbers	Reported Claim Numbers DFM %	Reported Claim Numbers DFM Ultimate	Projected Claim Numbers Exposure Based Ultimate	Projected Claim Numbers Ultimate (Selected)	Paid Claims (Total)	Paid Claims DFM % (Total)	Paid Claims DFM Ultimate (Total)	Incurred Claims (Total)	Incurred Claims DFM % (Total)	Incurred Claims DFM Ultimate (Total)	Projected Claim Amounts Exposure Based Ultimate	Projected Claim Amounts Ultimate (Selected)	Future Claim Numbers	Future Claim Amounts (Pure IBNR)	IBNER
2008	4	100%	4		4	15,549	100%	15,549	15,549	100%	15,549		15,549			(0)
2009	4	100%	4		4	149,424	100%	149,424	149,424	100%	149,424		149,424			0
2010	2	100%	2		2	11,685	100%	11,685	11,685	100%	11,685		11,685			0
2011	5	100%	5		5	104,613	100%	104,613	104,613	100%	104,613		104,613			0
2012	15	100%	15		15	447,096	100%	447,096	447,096	100%	447,095		447,095			(2)
2013	9	100%	9		9	45,853	100%	45,853	45,853	100%	45,852		45,852			(1)
2014	10	100%	10		10	241,574	100%	241,574	241,574	100%	241,197		241,197			(378)
2015	15	100%	15		15	331,631	99%	333,374	552,632	100%	552,754		552,754			122
2016	18	100%	18		18	324,282	99%	326,772	457,282	92%	497,529		497,529			40,247
2017	33	100%	33		33	322,192	98%	327,159	726,875	105%	690,067		690,067			(36,808)
2018	39	100%	39		39	837,466	91%	923,341	1,234,595	106%	1,160,965		1,160,965			(73,629)
2019	63	100%	63		63	534,235	59%	912,565	1,428,838	156%	916,904		916,904			(511,934)
2020	44	100%	44		44	255,418	40%	644,333	2,372,877	143%	1,662,517		1,662,517			(710,360)
2021	21	48%	44		44	34,899	8%	422,834	650,165	57%	1,134,158		1,134,158	23	632,198	(148,205)
2022	0	0%	0	30	30	0	0%	0	0	0%	0	825,237	825,237	30	825,237	0
Total	282		305		335	3,655,917		4,906,171	8,439,058		7,630,308		8,455,545	53	1,457,435	(1,440,948)

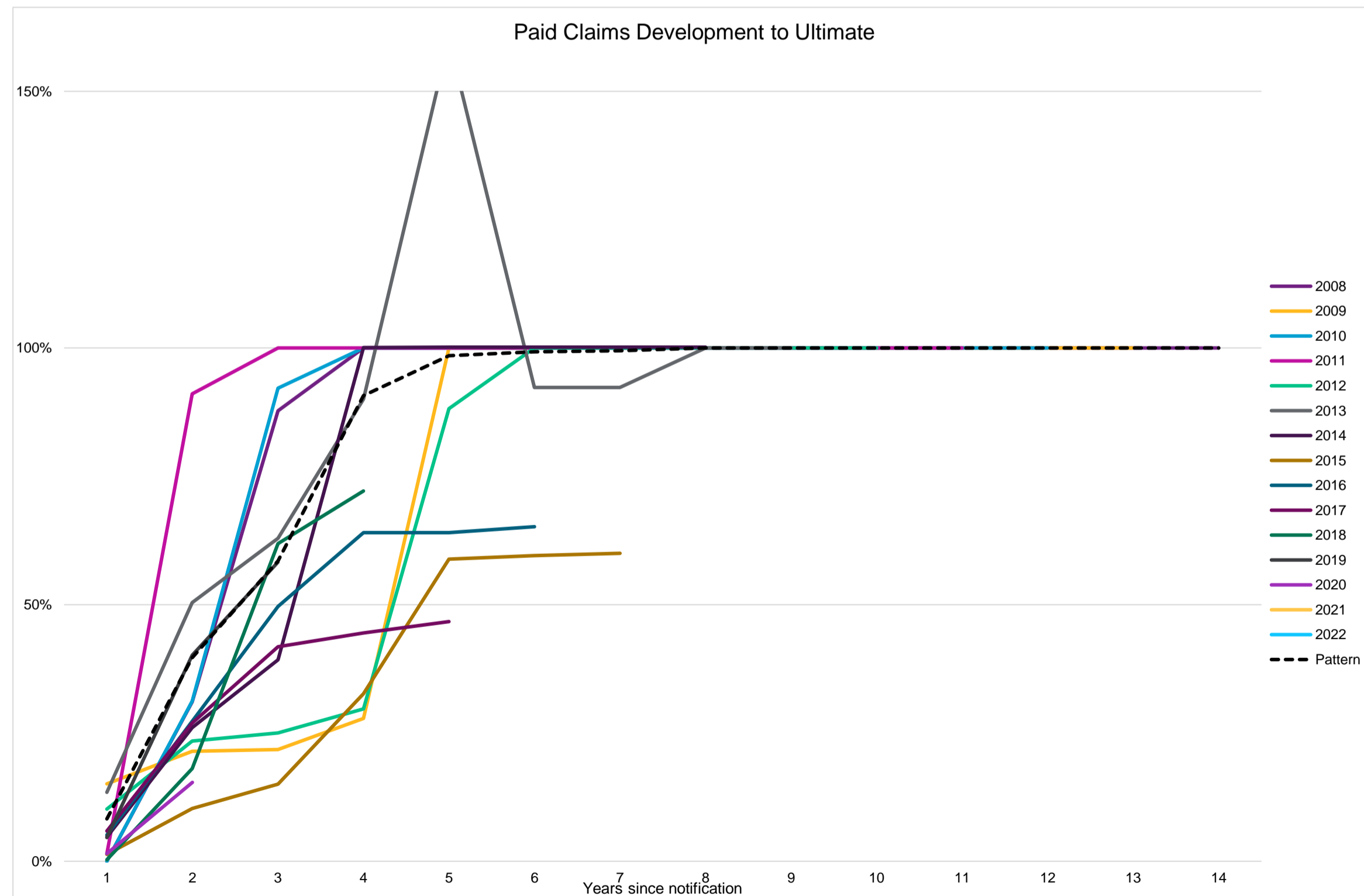
**Solicitors Indemnity Fund - P6YROC Notification Year Analysis - Incurred Claims Triangle (£000s)
as at 30 April 2020**

		Year													
Notification Year		1	2	3	4	5	6	7	8	9	10	11	12	13	14
2008		0	18	17	16	16	16	16	16	16	16	16	16	16	16
2009		61	69	33	102	150	149	149	149	149	149	149	149	149	
2010		3	68	74	12	12	12	12	12	12	12	12	12		
2011		99	102	105	105	105	105	105	105	105	105	105			
2012		88	419	340	528	465	447	447	447	447	447				
2013		114	151	134	204	88	45	47	51	46					
2014		168	251	513	241	234	242	242	242						
2015		437	726	945	875	742	487	553							
2016		305	394	492	321	321	457								
2017		142	1,144	839	577	727									
2018		32	1,933	1,743	1,235										
2019		488	1,939	1,429											
2020		701	2,373												
2021		650													
2022															
Pattern		57%	143%	156%	106%	105%	92%	100%	100%	100%	100%	100%	100%	100%	100%



**Solicitors Indemnity Fund - P6YROC Notification Year Analysis - Paid Claims Triangle (£000s)
as at 30 April 2020**

		Year													
Notification Year		1	2	3	4	5	6	7	8	9	10	11	12	13	14
2008		0	5	14	16	16	16	16	16	16	16	16	16	16	16
2009		23	32	33	42	149	149	149	149	149	149	149	149	149	
2010		0	4	11	12	12	12	12	12	12	12	12	12		
2011		2	95	105	105	105	105	105	105	105	105	105			
2012		45	105	112	133	394	447	447	447	447	447				
2013		6	23	29	41	73	42	42	46	46					
2014		11	63	95	241	242	242	242	242						
2015		7	57	83	180	325	329	332							
2016		25	136	247	318	318	324								
2017		41	186	288	307	322									
2018		3	209	719	837										
2019		42	368	534											
2020		25	255												
2021		35													
2022															
Pattern		8%	40%	59%	91%	98%	99%	99%	100%	100%	100%	100%	100%	100%	100%



**Solicitors Indemnity Fund - Breakdown of Future Claims (Cessation Year 2001-2016 only)
as at 30 April 2020**

	Basis	Reported Claim	Future Claim Numbers	Ultimate Claim Numbers	Paid Clams	Outstanding Claims	Incurred Claims	IBNER	Pure IBNR / Future Claims	Pure IBNR + IBNER	Ultimate Claims	Unpaid Claims	Average Cost per Claim
A	Claims notified up to 30 April 2021	282	0	282	3,655,917	4,783,141	8,439,058	(1,440,948)	0	(1,440,948)	6,998,110	3,342,194	24,816
B	Claims notified 30 April 2021 to 30 September 2022	0	53	53	0	0	0	0	1,457,435	1,457,435	1,457,435	1,457,435	27,662
C	Claims notified post 30 April 2021	0	228	228	0	0	0	0	7,483,970	7,483,970	7,483,970	7,483,970	32,797
D=A+B	Claims currently covered by P6YROC	282	53	335	3,655,917	4,783,141	8,439,058	(1,440,948)	1,457,435	16,487	8,455,545	4,799,628	25,264
E=C-B	Claims notified post 30 September 2022	0	176	176	0	0	0	0	6,026,535	6,026,535	6,026,535	6,026,535	34,339
F=D+E	Total claims (all notification years)	282	228	510	3,655,917	4,783,141	8,439,058	(1,440,948)	7,483,970	6,043,023	14,482,081	10,826,164	28,386

**Solicitors Indemnity Fund - P6YROC Summary of Future Claim Amounts and Numbers
as at 30 April 2020**

Cessation Year	Future Claim Numbers	Future Claim Numbers (May'21 - Sep'22)	Future Claim Numbers (post Sep'22)	Total Claim Amounts	Total Claim Amounts (up to Sep'22)	Future Claim Amounts (post Sep'22)
2001 - 2016	228	53	176	14,482,081	8,455,545	6,026,535
Post 2016	184		184	6,401,350		6,401,350
Total	412	53	359	20,883,430	8,455,545	12,427,885

Solicitors Indemnity Fund - Cessation Year Basis Cashflows (amounts in £000s) as at 30 April 2020

Cessation Year	Paid Claims	Ultimate Claims	Claims Reserve	Date Year
2001	143	144	0	
2002	190	326	136	
2003	50	56	6	
2004	431	574	143	
2005	40	189	149	
2006	67	164	97	
2007	353	689	336	
2008	669	1,591	923	
2009	863	1,471	608	
2010	300	1,633	1,334	
2011	407	2,432	2,025	
2012	143	759	616	
2013	0	928	928	
2014	0	1,500	1,500	
2015	0	1,031	1,031	
2016	0	996	996	
2017	0	1,028	1,028	
2018	0	1,045	1,045	
2019	0	984	984	
2020	0	1,082	1,082	
2021	0	1,114	1,114	
2022	0	1,148	1,148	
2023	0	1,182	1,182	
2024	0	1,218	1,218	
2025	0	1,254	1,254	
2026	0	1,292	1,292	
2027	0	1,331	1,331	
2028	0	1,371	1,371	
2029	0	1,412	1,412	
2030	0	1,454	1,454	
2031	0	1,498	1,498	
2032	0	1,543	1,543	
2033	0	1,589	1,589	
Total - 2001+	3,656	36,025	32,369	
Total - 2001-2016	3,656	14,482	10,826	
Total - 2017+	0	21,543	21,543	

30/09/2022	30/09/2023	30/09/2024	30/09/2025	30/09/2026	30/09/2027	30/09/2028	30/09/2029	30/09/2030	30/09/2031	30/09/2032	30/09/2033	30/09/2034	30/09/2035	30/09/2036
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
136	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	0	0	0	0	0	0	0	0	0	0	0	0	0	0
107	37	0	0	0	0	0	0	0	0	0	0	0	0	0
63	57	29	0	0	0	0	0	0	0	0	0	0	0	0
25	26	31	15	0	0	0	0	0	0	0	0	0	0	0
131	40	59	70	35	0	0	0	0	0	0	0	0	0	0
337	169	82	119	144	72	0	0	0	0	0	0	0	0	0
163	128	91	45	64	78	39	0	0	0	0	0	0	0	0
624	148	162	115	56	81	98	49	0	0	0	0	0	0	0
1,018	356	136	149	106	52	75	90	45	0	0	0	0	0	0
236	154	80	31	33	24	12	17	20	10	0	0	0	0	0
159	237	216	112	43	47	33	16	24	28	14	0	0	0	0
145	198	356	324	169	64	70	50	24	35	43	21	0	0	0
40	69	135	242	221	115	44	48	34	17	24	29	15	0	0
9	34	66	129	232	212	110	42	46	33	16	23	28	14	0
2	7	35	69	134	240	219	114	43	48	34	17	24	29	14
0	2	7	36	70	136	244	222	116	44	48	34	17	24	29
0	0	2	7	34	66	128	230	109	42	45	32	16	23	17
0	0	0	2	8	37	72	141	253	230	120	46	50	36	17
0	0	0	0	2	8	38	74	145	260	237	123	47	52	37
0	0	0	0	0	3	8	39	77	149	268	244	127	49	53
0	0	0	0	0	0	3	8	41	79	154	276	252	131	50
0	0	0	0	0	0	0	3	9	42	81	158	284	259	135
0	0	0	0	0	0	0	0	3	9	43	84	163	293	267
0	0	0	0	0	0	0	0	0	3	9	44	86	168	302
0	0	0	0	0	0	0	0	0	0	3	10	46	89	173
0	0	0	0	0	0	0	0	0	0	0	3	10	47	91
0	0	0	0	0	0	0	0	0	0	0	0	3	10	48
0	0	0	0	0	0	0	0	0	0	0	0	0	3	10
0	0	0	0	0	0	0	0	0	0	0	0	0	0	3
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3,199	1,662	1,487	1,466	1,351	1,233	1,193	1,144	1,088	1,096	1,136	1,158	1,183	1,218	1,253
3,196	1,653	1,442	1,352	1,103	744	481	312	193	123	97	73	42	14	0
2	10	45	114	247	489	712	831	895	973	1,039	1,085	1,141	1,204	1,253

Incremental Pattern

Total - 2001+
Total - 2001-2016
Total - 2017+

10%	5%	5%	5%	4%	4%	4%	4%	3%	3%	4%	4%	4%	4%	4%
30%	15%	13%	12%	10%	7%	4%	3%	2%	1%	1%	0%	0%	0%	0%
0%	0%	0%	1%	1%	2%	3%	4%	4%	5%	5%	5%	6%	6%	6%

Cumulative Payments

Total - 2001+
Total - 2001-2016
Total - 2017+

6,855	8,517	10,004	11,470	12,820	14,053	15,246	16,390	17,478	18,573	19,709	20,867	22,050	23,269	24,522
6,852	8,505	9,947	11,299	12,402	13,146	13,627	13,939	14,132	14,256	14,352	14,426	14,468	14,482	14,482
2	12	57	171	418	907	1,619	2,451	3,345	4,318	5,357	6,441	7,582	8,786	10,040

Cumulative Pattern

Total - 2001+
Total - 2001-2016
Total - 2017+

19%	24%	28%	32%	36%	39%	42%	45%	49%	52%	55%	58%	61%	65%	68%
47%	59%	69%	78%	86%	91%	94%	96%	98%	98%	99%	100%	100%	100%	100%
0%	0%	0%	1%	2%	4%	8%	11%	16%	20%	25%	30%	35%	41%	47%

Cumulative Ultimate Incurred

Total - 2001+
Total - 2001-2016
Total - 2017+

20,883	22,066	23,283	24,538	25,829	27,160	28,531	29,942	31,396	32,894	34,437	36,025	36,025	36,025	36,025
14,482	14,482	14,482	14,482	14,482	14,482	14,482	14,482	14,482	14,482	14,482	14,482	14,482	14,482	14,482
6,401	7,584	8,801	10,056	11,347	12,678	14,049	15,460	16,914	18,412	19,954	21,543	21,543	21,543	21,543

Unpaid Claims

Total - 2001+
Total - 2001-2016
Total - 2017+

14,029	13,549	13,279	13,068	13,009	13,107	13,285	13,553	13,919	14,321	14,727	15,158	13,975	12,757	11,503
7,630	5,977	4,535	3,183	2,080	1,336	855	543	350	226	130	56	14	0	0
6,399	7,572	8,744	9,885	10,929	11,771	12,429	13,010	13,569	14,094	14,598	15,102	13,961	12,757	11,503

Solicitors Indemnity Fund - Cessation Year Basis Cashflows (amounts in £000s)
as at 30 April 2020

Cessation Year	Date															
	Year	30/09/2037	30/09/2038	30/09/2039	30/09/2040	30/09/2041	30/09/2042	30/09/2043	30/09/2044	30/09/2045	30/09/2046	30/09/2047	30/09/2048	30/09/2049	30/09/2050	30/09/2051
	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
2001	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2002	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2003	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2004	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2005	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2006	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2007	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2008	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2009	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2010	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2011	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2012	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2014	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2016	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2018	15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2019	28	14	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2020	25	30	15	0	0	0	0	0	0	0	0	0	0	0	0	0
2021	18	26	31	16	0	0	0	0	0	0	0	0	0	0	0	0
2022	38	18	27	32	16	0	0	0	0	0	0	0	0	0	0	0
2023	55	39	19	27	33	17	0	0	0	0	0	0	0	0	0	0
2024	52	56	40	20	28	34	17	0	0	0	0	0	0	0	0	0
2025	139	53	58	41	20	29	35	18	0	0	0	0	0	0	0	0
2026	275	143	55	60	43	21	30	36	18	0	0	0	0	0	0	0
2027	311	283	147	56	62	44	21	31	37	19	0	0	0	0	0	0
2028	178	320	292	152	58	63	45	22	32	38	19	0	0	0	0	0
2029	94	183	330	300	156	60	65	46	23	33	39	20	0	0	0	0
2030	50	97	189	340	309	161	61	67	48	23	34	41	20	0	0	0
2031	11	51	100	195	350	319	166	63	69	49	24	35	42	21	0	0
2032	3	11	53	103	200	360	328	171	65	71	51	25	36	43	22	0
2033	0	4	11	55	106	206	371	338	176	67	73	52	26	37	44	22
Total - 2001+	1,290	1,329	1,366	1,396	1,381	1,314	1,140	793	468	301	241	172	124	101	66	22
Total - 2001-2016	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total - 2017+	1,290	1,329	1,366	1,396	1,381	1,314	1,140	792	468	301	241	172	124	101	66	22

Incremental Pattern

Total - 2001+	4%	4%	4%	4%	4%	4%	4%	2%	1%	1%	1%	1%	0%	0%	0%	0%
Total - 2001-2016	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total - 2017+	6%	6%	6%	6%	6%	6%	5%	4%	2%	1%	1%	1%	1%	0%	0%	0%

Cumulative Payments

Total - 2001+	25,812	27,141	28,507	29,903	31,284	32,598	33,738	34,531	34,999	35,300	35,540	35,713	35,836	35,937	36,003	36,025
Total - 2001-2016	14,482	14,482	14,482	14,482	14,482	14,482	14,482	14,482	14,482	14,482	14,482	14,482	14,482	14,482	14,482	14,482
Total - 2017+	11,330	12,659	14,025	15,421	16,802	18,116	19,256	20,049	20,517	20,818	21,058	21,231	21,354	21,455	21,521	21,543

Cumulative Payments

Total - 2001+	72%	75%	79%	83%	87%	90%	94%	96%	97%	98%	99%	99%	99%	100%	100%	100%
Total - 2001-2016	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Total - 2017+	53%	59%	65%	72%	78%	84%	89%	93%	95%	97%	98%	99%	99%	100%	100%	100%

Cumulative Ultimate Incurred

Total - 2001+	36,025	36,025	36,025	36,025	36,025	36,025	36,025	36,025	36,025	36,025	36,025	36,025	36,025	36,025	36,025	36,025
Total - 2001-2016	14,482	14,482	14,482	14,482	14,482	14,482	14,482	14,482	14,482	14,482	14,482	14,482	14,482	14,482	14,482	14,482
Total - 2017+	21,543	21,543	21,543	21,543	21,543	21,543	21,543	21,543	21,543	21,543	21,543	21,543	21,543	21,543	21,543	21,543

Unpaid Claims

Total - 2001+	10,214	8,884	7,518	6,122	4,741	3,428	2,287	1,495	1,027	726	485	313	189	88	22	0
Total - 2001-2016	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total - 2017+	10,214	8,884	7,518	6,122	4,741	3,428	2,287	1,495	1,027	726	485	313	189	88	22	0

Solicitors Indemnity Fund - Notification Year Basis Cashflows (amounts in £000s) as at 30 April 2020

Notification Year	Paid Claims	Ultimate Claims	Claims Reserve
2008	16	16	0
2009	149	149	0
2010	12	12	0
2011	105	105	0
2012	447	447	(0)
2013	46	46	(0)
2014	242	241	(0)
2015	332	553	221
2016	324	498	173
2017	322	690	368
2018	837	1,161	323
2019	534	917	383
2020	255	1,663	1,407
2021	35	1,134	1,099
2022	0	825	825
Total	3,656	8,456	4,800

Incremental Pattern

Total

Date Year	30/04/2022	30/04/2023	30/04/2024	30/04/2025	30/04/2026	30/04/2027	30/04/2028	30/04/2029	30/04/2030	30/04/2031	30/04/2032	30/04/2033	30/04/2034	30/04/2035	30/04/2036	30/04/2037	30/04/2038	30/04/2039	30/04/2040	30/04/2041
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(0)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(0)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(0)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
221	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
59	114	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
323	15	29	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
279	39	2	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
124	224	31	1	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
462	305	552	77	4	7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
278	270	178	322	45	2	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0
51	196	190	125	227	32	1	3	0	0	0	0	0	0	0	0	0	0	0	0	0
1,797	1,163	982	530	278	41	6	3	0	0	0	0	0	0	0	0	0	0	0	0	0

37%	24%	20%	11%	6%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
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Notification Year Basis

Indicative profile of payments to 30/4

2022	2023	2024	2025	2026	2027	2028+
37.4%	24.2%	20.5%	11.0%	5.8%	0.8%	0.2%

Notification Year
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
Total

30/04/2022	30/04/2023	30/04/2024	30/04/2025	30/04/2026	30/04/2027	30/04/2028	30/04/2029	30/04/2030	30/04/2031	30/04/2032	30/04/2033	30/04/2034	30/04/2035	30/04/2036	30/04/2037	30/04/2038	30/04/2039	30/04/2040	30/04/2041
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
99%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
96%	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
68%	96%	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
53%	68%	96%	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
30%	53%	68%	96%	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
6%	30%	53%	68%	96%	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Calendar Year Summary on an on going basis

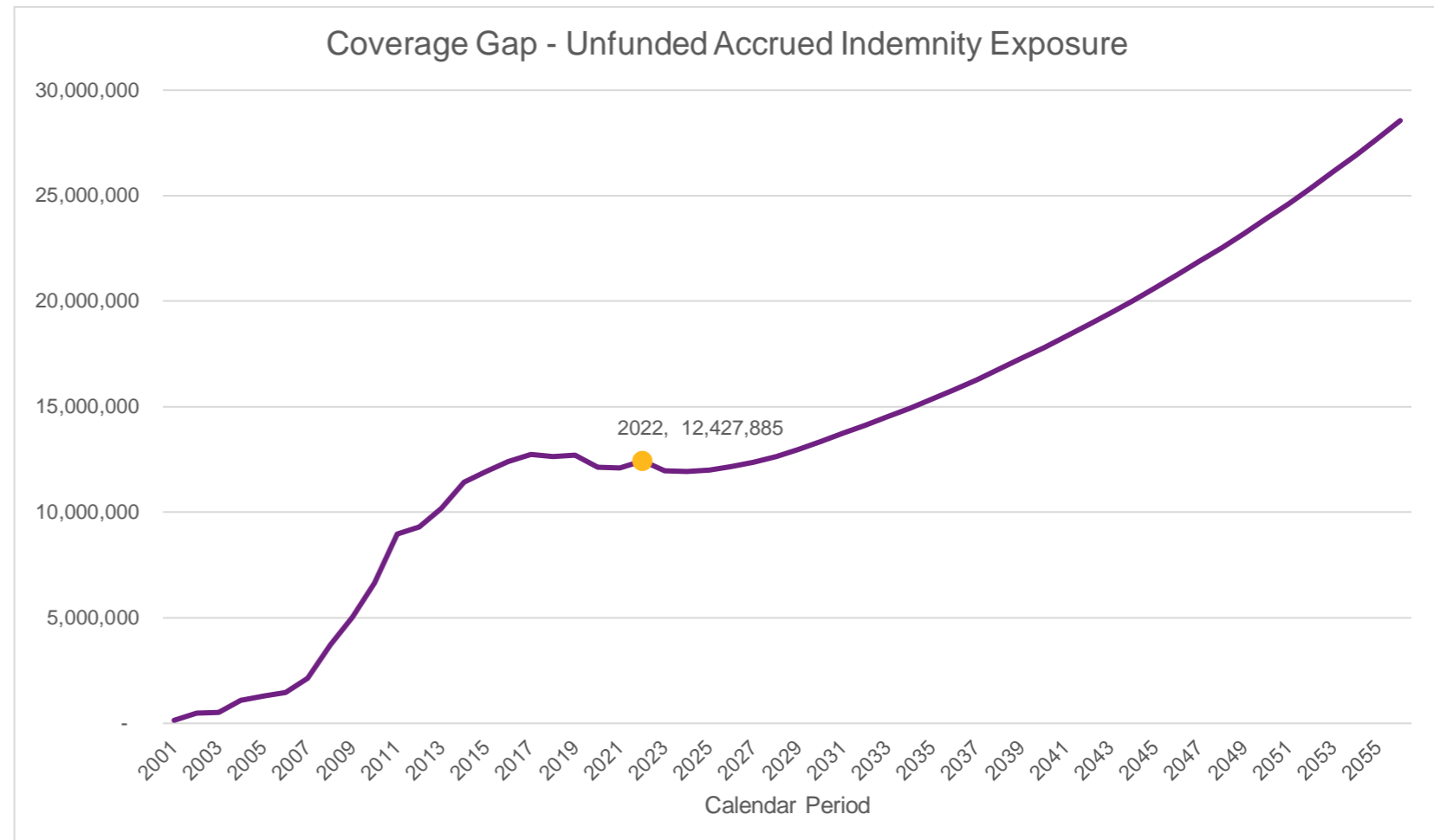
Calendar Year	Claims Notified up to 2022 (covered by SIF)	Claim Counts (post 2022 covering cessation years)		Sub total Notified Claims (covering cessation years 2001 to 2022)	Notified Claims (covering cessation years after 2022)	Notified Claims (Total)	Claim Amounts Notified up to 2022	Claim Amounts (post 2022 covering cessation years 2001 to 2016)	Claim Amounts (covering cessation years 2017 to 2022)	Sub total Claim Amounts (covering cessation years 2001 to 2022)	Claim Amounts (covering cessation years after 2022)	Claim Amounts (Total)	Average cost per claim
		2001 to 2016	2017 to 2022										
2001													
2002													
2003													
2004													
2005													
2006													
2007													
2008	4			4		4	15,549			15,549		15,549	3,887
2009	4			4		4	149,424			149,424		149,424	37,356
2010	2			2		2	11,685			11,685		11,685	5,843
2011	5			5		5	104,613			104,613		104,613	20,923
2012	15			15		15	447,095			447,095		447,095	29,806
2013	9			9		9	45,852			45,852		45,852	5,095
2014	10			10		10	241,197			241,197		241,197	24,120
2015	15			15		15	552,754			552,754		552,754	36,850
2016	18			18		18	497,529			497,529		497,529	27,640
2017	33			33		33	690,067			690,067		690,067	20,911
2018	39			39		39	1,160,965			1,160,965		1,160,965	29,768
2019	63			63		63	916,904			916,904		916,904	14,554
2020	44			44		44	1,662,517			1,662,517		1,662,517	37,784
2021	44			44		44	1,134,158			1,134,158		1,134,158	25,748
2022	30			30		30	825,237			825,237		825,237	27,844
2023		45	-	45	-	45	-	1,657,641	-	1,657,641	-	1,657,641	36,802
2024		38	0	38	-	38	-	1,231,769	9,844	1,241,613	-	1,241,613	32,676
2025		32	5	37	-	37	-	1,021,647	153,942	1,175,588	-	1,175,588	31,957
2026		22	12	34	-	34	-	729,163	401,339	1,130,502	-	1,130,502	33,039
2027		15	18	33	-	33	-	513,519	598,276	1,111,795	-	1,111,795	33,797
2028		8	24	32	-	32	-	299,298	802,165	1,101,462	-	1,101,462	34,421
2029		5	26	31	-	31	-	181,422	909,929	1,091,350	-	1,091,350	34,798
2030		3	28	31	0	31	-	97,108	973,660	1,070,767	11,318	1,082,085	35,089
2031		2	24	26	5	31	-	56,532	874,936	931,468	177,143	1,108,611	36,005
2032		1	18	19	12	31	-	47,361	634,135	681,496	464,863	1,146,359	37,214
2033		1	12	13	18	31	-	56,297	428,651	484,947	709,392	1,194,339	38,798
2034		1	6	7	24	31	-	51,585	215,117	266,701	962,000	1,228,701	39,904
2035		1	4	4	26	31	-	29,037	130,189	159,226	1,092,187	1,251,413	40,628
2036		0	2	3	28	31	-	20,326	79,441	99,768	1,186,695	1,286,463	41,853
2037		0	1	2	29	31	-	10,804	47,611	58,415	1,260,017	1,318,432	43,009
2038		0	1	1	29	31	-	4,062	33,899	37,961	1,314,793	1,352,754	44,161
2039		0	1	1	30	31	-	5,932	28,497	34,429	1,360,734	1,395,163	45,503
2040		0	1	1	30	31	-	5,762	24,686	30,448	1,406,330	1,436,778	46,831
2041		0	0	1	30	31	-	4,502	14,600	19,103	1,459,473	1,478,575	48,271
2042		0	0	0	30	31	-	2,769	8,853	11,623	1,511,555	1,523,177	49,737
2043		-	0	0	30	31	-	-	7,233	7,233	1,561,716	1,568,949	51,232
2044		-	0	0	30	31	-	-	5,027	5,027	1,610,759	1,615,787	52,773
2045		-	0	0	30	31	-	-	5,053	5,053	1,659,082	1,664,135	54,359
2046		-	0	0	30	31	-	-	5,402	5,402	1,708,855	1,714,256	55,986
2047		-	0	0	30	31	-	-	5,564	5,564	1,760,120	1,765,684	57,666
2048		-	0	0	31	31	-	-	3,302	3,302	1,815,353	1,818,654	59,396
2049		-	-	-	31	31	-	-	-	-	1,873,214	1,873,214	61,178
2050		-	-	-	31	31	-	-	-	-	1,929,410	1,929,410	63,013
2051		-	-	-	31	31	-	-	-	-	1,987,293	1,987,293	64,903
2052		-	-	-	31	31	-	-	-	-	2,046,912	2,046,912	66,851
2053		-	-	-	31	31	-	-	-	-	2,108,319	2,108,319	68,856
2054		-	-	-	31	31	-	-	-	-	2,171,568	2,171,568	70,922
2055		-	-	-	31	31	-	-	-	-	2,236,715	2,236,715	73,049
2056		-	-	-	31	31	-	-	-	-	2,303,817	2,303,817	75,241
	335	176	184	694	719	1,413	8,455,545	6,026,535	6,401,350	20,883,430	39,689,631	60,573,062	

Calendar Year Summary on an on going basis

Calendar Year	Claim Amounts Paid up to 2022	Claim Amounts Paid (covering cessation years 2001 to 2016)	Claim Amounts Paid (covering cessation years 2017 to 2022)	Sub total Claim Amounts Paid (covering cessation years 2001 to 2022)	Claim Amounts Paid (covering cessation years after 2022)	Claim Amounts Paid (Total)	Cumulative estimate of Payments	Cumulative estimate of cost of notifications	Cumulative estimate of unpaid amounts
2001									
2002									
2003									
2004									
2005									
2006									
2007							0	0	0
2008							0	15,549	15,549
2009	38,556			38,556		38,556	38,556	164,974	126,418
2010	14,971			14,971		14,971	53,527	176,659	123,132
2011	6,916			6,916		6,916	60,443	281,271	220,829
2012	199,774			199,774		199,774	260,216	728,366	468,149
2013	142,812			142,812		142,812	403,029	774,218	371,189
2014	47,337			47,337		47,337	450,366	1,015,414	565,048
2015	116,139			116,139		116,139	566,505	1,568,168	1,001,664
2016	609,741			609,741		609,741	1,176,246	2,065,697	889,451
2017	287,028			287,028		287,028	1,463,274	2,755,764	1,292,490
2018	275,687			275,687		275,687	1,738,961	3,916,729	2,177,769
2019	678,806			678,806		678,806	2,417,767	4,833,633	2,415,866
2020	995,812			995,812		995,812	3,413,579	6,496,150	3,082,571
2021	1,263,708			1,263,708		1,263,708	4,677,287	7,630,308	2,953,021
2022	2,177,336			2,177,336		2,177,336	6,854,624	8,455,545	1,600,922
2023	-	1,652,830	9,656	1,662,486	0	1,662,486	8,517,110	10,113,186	1,596,076
2024	-	1,442,019	44,943	1,486,962	0	1,486,962	10,004,071	11,354,799	1,350,727
2025	-	1,351,727	113,938	1,465,665	0	1,465,665	11,469,736	12,530,387	1,060,651
2026	-	1,103,229	247,278	1,350,508	0	1,350,508	12,820,244	13,660,889	840,645
2027	-	743,990	489,155	1,233,146	0	1,233,146	14,053,390	14,772,684	719,295
2028	-	480,822	709,274	1,190,097	0	1,190,097	15,243,486	15,874,147	630,660
2029	-	312,085	820,278	1,132,363	2,617	1,134,980	16,378,466	16,965,497	587,031
2030	-	193,311	842,541	1,035,852	8,442	1,044,295	17,422,761	18,047,582	624,821
2031	-	123,227	840,172	963,400	43,282	1,006,682	18,429,443	19,156,193	726,750
2032	-	96,809	748,721	845,530	87,610	933,140	19,362,583	20,302,552	939,969
2033	-	73,408	509,791	583,199	198,124	781,323	20,143,906	21,496,892	1,352,986
2034	-	42,342	297,306	339,649	366,296	705,945	20,849,851	22,725,593	1,875,742
2035	-	13,933	204,497	218,429	455,614	674,044	21,523,895	23,977,005	2,453,111
2036	-	-	173,574	173,574	508,209	681,783	22,205,678	25,263,469	3,057,791
2037	-	-	122,939	122,939	519,287	642,226	22,847,904	26,581,901	3,733,997
2038	-	-	88,318	88,318	578,104	666,422	23,514,326	27,934,655	4,420,330
2039	-	-	72,945	72,945	573,796	646,741	24,161,066	29,329,818	5,168,752
2040	-	-	47,685	47,685	614,429	662,114	24,823,180	30,766,596	5,943,416
2041	-	-	16,061	16,061	618,458	634,519	25,457,699	32,245,171	6,787,472
2042	-	-	-	-	665,916	665,916	26,123,615	33,768,348	7,644,733
2043	-	-	-	-	653,554	653,554	26,777,169	35,337,297	8,560,128
2044	-	-	-	-	685,894	685,894	27,463,063	36,953,084	9,490,021
2045	-	-	-	-	673,161	673,161	28,136,224	38,617,219	10,480,995
2046	-	-	-	-	706,471	706,471	28,842,695	40,331,475	11,488,781
2047	-	-	-	-	693,356	693,356	29,536,050	42,097,159	12,561,109
2048	-	-	-	-	727,665	727,665	30,263,715	43,915,813	13,652,098
2049	-	-	-	-	714,156	714,156	30,977,871	45,789,027	14,811,156
2050	-	-	-	-	749,495	749,495	31,727,366	47,718,438	15,991,072
2051	-	-	-	-	735,581	735,581	32,462,947	49,705,731	17,242,783
2052	-	-	-	-	771,980	771,980	33,234,927	51,752,642	18,517,715
2053	-	-	-	-	757,649	757,649	33,992,575	53,860,961	19,868,386
2054	-	-	-	-	795,139	795,139	34,787,714	56,032,529	21,244,815
2055	-	-	-	-	780,378	780,378	35,568,092	58,269,245	22,701,153
2056	-	-	-	-	818,993	818,993	36,387,085	60,573,062	24,185,977
	6,854,624	7,629,733	6,399,074	20,883,430		15,503,655			36,387,085

Calendar Year Summary on an on going basis

Calendar Year	Estimated Ultimate cost of cessations in indemnity year	Projected accrual of ultimate losses on a cessation year basis	Estimated Ultimate cost of notifications in indemnity year	Projected accrual of ultimate losses notified	Coverage Gap
2001	143,673	143,673	-	-	143,673
2002	326,028	469,701	-	-	469,701
2003	55,821	525,523	-	-	525,523
2004	573,685	1,099,208	-	-	1,099,208
2005	189,199	1,288,407	-	-	1,288,407
2006	164,095	1,452,502	-	-	1,452,502
2007	688,704	2,141,207	-	-	2,141,207
2008	1,591,214	3,732,420	15,549	15,549	3,716,871
2009	1,470,796	5,203,216	149,424	164,974	5,038,243
2010	1,633,410	6,836,626	11,685	176,659	6,659,968
2011	2,431,752	9,268,379	104,613	281,271	8,987,107
2012	758,715	10,027,094	447,095	728,366	9,298,728
2013	928,152	10,955,246	45,852	774,218	10,181,028
2014	1,500,166	12,455,412	241,197	1,015,414	11,439,998
2015	1,039,971	13,486,383	552,754	1,568,168	11,918,215
2016	995,697	14,482,081	497,529	2,065,697	12,416,383
2017	1,028,296	15,510,376	690,067	2,755,764	12,754,612
2018	1,045,097	16,555,473	1,160,965	3,916,729	12,638,744
2019	983,852	17,539,326	916,904	4,833,633	12,705,693
2020	1,081,919	18,621,245	1,662,517	6,496,150	12,125,095
2021	1,114,377	19,735,622	1,134,158	7,630,308	12,105,314
2022	1,147,808	20,883,430	825,237	8,455,545	12,427,885
2023	1,182,242	22,065,673	1,657,641	10,113,186	11,952,487
2024	1,217,710	23,283,383	1,241,613	11,354,799	11,928,584
2025	1,254,241	24,537,624	1,175,588	12,530,387	12,007,237
2026	1,291,868	25,829,492	1,130,502	13,660,889	12,168,603
2027	1,330,624	27,160,116	1,111,795	14,772,684	12,387,432
2028	1,370,543	28,530,659	1,101,462	15,874,147	12,656,513
2029	1,411,659	29,942,319	1,091,350	16,965,497	12,976,822
2030	1,454,009	31,396,328	1,082,085	18,047,582	13,348,746
2031	1,497,629	32,893,957	1,108,611	19,156,193	13,737,764
2032	1,542,558	34,436,516	1,146,359	20,302,552	14,133,963
2033	1,588,835	36,025,351	1,194,339	21,496,892	14,528,459
2034	1,636,500	37,661,851	1,228,701	22,725,593	14,936,258
2035	1,685,595	39,347,446	1,251,413	23,977,005	15,370,441
2036	1,736,163	41,083,609	1,286,463	25,263,469	15,820,140
2037	1,788,248	42,871,857	1,318,432	26,581,901	16,289,956
2038	1,841,895	44,713,752	1,352,754	27,934,655	16,779,097
2039	1,897,152	46,610,904	1,395,163	29,329,818	17,281,086
2040	1,954,067	48,564,971	1,436,778	30,766,596	17,798,375
2041	2,012,689	50,577,660	1,478,575	32,245,171	18,332,488
2042	2,073,069	52,650,729	1,523,177	33,768,348	18,882,381
2043	2,135,261	54,785,990	1,568,949	35,337,297	19,448,693
2044	2,199,319	56,985,310	1,615,787	36,953,084	20,032,226
2045	2,265,299	59,250,609	1,664,135	38,617,219	20,633,390
2046	2,333,258	61,583,867	1,714,256	40,331,475	21,252,391
2047	2,403,256	63,987,122	1,765,684	42,097,159	21,889,963
2048	2,475,353	66,462,475	1,818,654	43,915,813	22,546,662
2049	2,549,614	69,012,089	1,873,214	45,789,027	23,223,062
2050	2,626,102	71,638,191	1,929,410	47,718,438	23,919,754
2051	2,704,885	74,343,077	1,987,293	49,705,731	24,637,346
2052	2,786,032	77,129,109	2,046,912	51,752,642	25,376,467
2053	2,869,613	79,998,722	2,108,319	53,860,961	26,137,761
2054	2,955,701	82,954,423	2,171,568	56,032,529	26,921,893
2055	3,044,372	85,998,795	2,236,715	58,269,245	27,729,550
2056	3,135,703	89,134,498	2,303,817	60,573,062	28,561,437
Total	89,134,498		60,573,062		



Calendar Year Notification Summary

Indemnity Year	Incremental Claims Notified During Year			Cumulative Notifications Post 2022		
	Non-Nil Claim Numbers	Ultimate Claim Amounts (£m)	Average Cost per Claim (£k)	Non-Nil Claim Numbers	Ultimate Claim Amounts (£m)	Average Cost per Claim (£k)
2001-2022	335	8.456	25.3			
2023	45	1.658	36.8	45	1.658	36.8
2024	38	1.242	32.7	83	2.899	34.9
2025	37	1.176	32.0	120	4.075	34.0
2026	34	1.131	33.0	154	5.205	33.8
2027	33	1.112	33.8	187	6.317	33.8
2028	32	1.101	34.4	219	7.419	33.9
2029	31	1.091	34.8	250	8.510	34.0
2030	31	1.082	35.1	281	9.592	34.1
2031	31	1.109	36.0	312	10.701	34.3
2032	31	1.146	37.2	343	11.847	34.6
2033	31	1.194	38.8	374	13.041	34.9
2034	31	1.229	39.9	404	14.270	35.3
2035	31	1.251	40.6	435	15.521	35.7
2036	31	1.286	41.9	466	16.808	36.1
2037	31	1.318	43.0	497	18.126	36.5
2038	31	1.353	44.2	527	19.479	37.0
2039	31	1.395	45.5	558	20.874	37.4
2040	31	1.437	46.8	588	22.311	37.9
2041	31	1.479	48.3	619	23.790	38.4
2042	31	1.523	49.7	650	25.313	39.0
2043	31	1.569	51.2	680	26.882	39.5
2044	31	1.616	52.8	711	28.498	40.1
2045	31	1.664	54.4	742	30.162	40.7
2046	31	1.714	56.0	772	31.876	41.3
2047	31	1.766	57.7	803	33.642	41.9
2048	31	1.819	59.4	833	35.460	42.5
2049	31	1.873	61.2	864	37.333	43.2
2050	31	1.929	63.0	895	39.263	43.9
2051	31	1.987	64.9	925	41.250	44.6
2052	31	2.047	66.9	956	43.297	45.3
2053	31	2.108	68.9	987	45.405	46.0
2054	31	2.172	70.9	1,017	47.577	46.8
2055	31	2.237	73.0	1,048	49.814	47.5
2056	31	2.304	75.2	1,078	52.118	48.3

Calendar Year Notification Summary

Indemnity Year	Claims Notifications Post 2022			Post-2000 Cessations to date	
	Incremental Payments (£m)	Cumulative Payments (£m)	Unpaid Claims (£m)	Uncovered Exposure (£m)	Unpaid Exposure (£m)
2001-2022				12.428	14.029
2023	0.240	0.240	1.418	11.952	13.370
2024	0.617	0.857	2.042	11.929	13.971
2025	0.791	1.648	2.427	12.007	14.434
2026	1.049	2.697	2.509	12.169	14.677
2027	1.256	3.953	2.364	12.387	14.752
2028	1.147	5.100	2.319	12.657	14.975
2029	1.124	6.223	2.287	12.977	15.263
2030	1.105	7.328	2.264	13.349	15.612
2031	1.098	8.426	2.274	13.738	16.012
2032	1.104	9.531	2.316	14.134	16.450
2033	1.122	10.653	2.388	14.528	16.917
2034	1.150	11.803	2.467	14.936	17.403
2035	1.184	12.987	2.534	15.370	17.905
2036	1.219	14.206	2.602	15.820	18.422
2037	1.254	15.460	2.667	16.290	18.957
2038	1.285	16.744	2.735	16.779	19.514
2039	1.318	18.062	2.812	17.281	20.093
2040	1.355	19.418	2.893	17.798	20.692
2041	1.393	20.811	2.979	18.332	21.311
2042	1.434	22.245	3.068	18.882	21.950
2043	1.477	23.722	3.159	19.449	22.608
2044	1.521	25.244	3.254	20.032	23.286
2045	1.567	26.810	3.351	20.633	23.985
2046	1.614	28.424	3.452	21.252	24.704
2047	1.662	30.086	3.555	21.890	25.445
2048	1.712	31.798	3.662	22.547	26.209
2049	1.763	33.562	3.772	23.223	26.995
2050	1.816	35.378	3.885	23.920	27.805
2051	1.871	37.249	4.002	24.637	28.639
2052	1.927	39.175	4.122	25.376	29.498
2053	1.985	41.160	4.245	26.138	30.383
2054	2.044	43.204	4.373	26.922	31.295
2055	2.106	45.310	4.504	27.730	32.233
2056	2.169	47.479	4.639	28.561	33.200

Caveat: The cash profiles are smoothed and could tend to be shorter than may be experienced in practice so the unpaid amounts may tend to be understated. Our priority in projection was focused on the ultimate costs as opposed to the payment cash flows. In considering the unpaid amounts in respect of notified claims it is important to understand the underlying exposure which is quantified in 'Unpaid Exposure' column.