

Master Policy Professional Indemnity Arrangements

Year 4 update report

April 2026

Table of Contents

1. Background	3
2. Our focus and recommendations	3
3. The Law Society of Scotland's response	4
4. Conclusion.....	5
Appendix – Table of proposed actions	7

1. Background

The [2007 Act](#) gives the SLCC powers to monitor the effectiveness of professional indemnity arrangements.

Our focus in discharging these powers is to ensure the indemnity arrangements fulfil their stated purpose as part of the consumer protection landscape. That is, that they help to ensure consumers who have been awarded redress through either a complaint upheld by the SLCC or a successful claim against the Master Policy, receive it.

In November 2021 the SLCC published a [report](#) which reflected on the process of the tender of the Master Policy brokering arrangements carried out by the Insurance Committee of the Law Society. The report made recommendations for future exercises and considered wider issues relating to the effectiveness of the indemnity arrangements.

We [published](#) update reports in January 2023, November 2023 and January 25 outlining developments and any progress each year.

2. Our focus and recommendations

Our report considered how decisions about the arrangements were governed, what informed those decisions, and the implications of those decisions for the legal services sector and consumers.

The SLCC's ability to consider all aspects of these arrangements is limited by its access to information about them. However, we are grateful to the Society for discussing the arrangements with us and for allowing us to observe parts of the tender processes in 2021 and 2025.

We looked at how the arrangements operate in Scotland in comparison to other jurisdictions, noting both the significant benefits, and some of the potential downsides.

We noted particular areas of strength including the work of the broker to educate and inform the profession about key aspects of good service and good complaint handling in order to reduce the number of successful claims and complaints.

While recognising that the arrangements work well in many respects, our report made a number of recommendations for improvements.

These recommendations sought to promote a more proactive approach to keeping the Master Policy arrangements under review and to monitoring how the arrangements work in practice to ensure they meet any stated aims.

Our aim was to ensure that the arrangements were – and continue to be – fit for purpose and that that purpose was clear to all stakeholders. This approach also helps to highlight areas of potential weakness or issues which are visible to users or other stakeholders but may not be to those making the arrangements.

The recommendations linked to a tender round which we knew was already planned and empowered the Society to set out its own plans for reviewing the requirements for the indemnity arrangements. This was in line with our [published approach](#) of starting regulatory interventions with formative approaches and encouraging the primary regulators to take voluntary action.

We believe in a culture of continual challenge and improvement. That does not mean ignoring or dismissing good practice, but it guards against complacency and allows arrangements to be stress-tested to ensure they will perform appropriately when challenged.

3. The Law Society of Scotland's response

Noting the limitations in our analysis due to our distance from the arrangements, and in line with our formative approach, we couched our recommendations in broad terms and invited the Society to consider whether, with the benefit of proximity, alternative approaches could better meet the stated aims.

While the Society has responded throughout to our requests for information and engagement, and (privately) to our reports, it has often refuted the need for improvement and challenged our right to make such recommendations.

That is regrettable, and we believe does little to serve either the profession it represents or the public it protects.

4. Conclusion

Our calls for a review of governance, clarity, transparency and accountability of decision making, an approach that seeks input from those who might benefit from the arrangements, and ongoing consideration of best practice, are both reasonable and within our powers to make. In addition, we highlighted the opportunity for the Society to propose approaches it felt might best address the issues raised.

Robust discussion and promotion of the benefits of the arrangements are both welcome and necessary. We appreciate that the Society has continued to engage with us on these reports and has stated that it took account of and considered each of the recommendations and suggested actions we have put forward. However, we are disappointed that the Society has not taken forward many of the suggested actions. We believe that is a missed opportunity.

The most recent tender exercise has now concluded, and the Society invited the SLCC to attend the risk management presentation by each broker, which we were able to do. It was helpful to see clear consideration being given to this important aspect of the arrangements. However, in our initial report we made a number of suggestions for action which might have helpfully informed that exercise, including engagement with the profession and claimants on their experience of the Master Policy. It is not clear whether this was considered or acted upon.

We are closing out this piece of work and considering what our future approach might be, in line with our existing powers and those coming to us via the Regulation of Legal Services (Scotland) Act 2025.

The last periodic internal review of the Society's approach to delivering indemnity arrangements took place in 2015. We appreciate that the Committee keeps the Society's approach to delivering indemnity arrangements under review as a core part of its business as usual, and routinely challenges the brokers to advise on the suitability of the Master Policy arrangements. However, we believe an updated review is now overdue, especially with the environment surrounding regulation changing significantly as the 2025 Act is implemented. We are therefore pleased to hear that the Society will consider whether a further review of the arrangements is appropriate at this time.

We note that throughout the period of this work we had had productive discussions

at operational level with both the Society and the Master Policy broker, as issues have arisen about how the arrangements work in practice.

We are grateful for that engagement which has resulted in many consumers receiving redress who may not otherwise have done so. That is hugely positive.

However, we continue to believe that a more proactive approach to improving the arrangements at a strategic and policy level might have helped to avoid some of these situations arising in the first place. That would have avoided the time and energy spent by both the SLCC and the Society on resolving or mitigating them and – most importantly – the time, cost and emotional energy spent by consumers waiting to receive redress awarded to them for confirmed detriment.

Crisis management is sometimes required when systems fail to anticipate or adapt to external circumstances, but the focus should always be on trying, as far as possible, to anticipate, avoid or mitigate the impact of those circumstances on end users.

That is what our recommendations seek to achieve and what our oversight approach will continue to focus on.

This report has been shared with the Society's Insurance and Regulatory Committees. As always, we have welcomed a response from the Society to inform our thinking on next steps.

The report will also be published on the SLCC website. We hope it will encourage further consideration of these issues as we all work to implement the 2025 Act and to deliver the reformed regulatory system it envisages.

Appendix – Table of proposed actions

The table below was published in our 2021 report, setting out our proposed approach to assessing action against the recommendations we had made. We stated that we would like to encourage the Law Society to set out a five-year programme up to and including the next tender exercise. The timescales outlined here were outlined as indicative but would allow all points to be considered in a timely way in advance of the next tender exercise. The SLCC has discharged its oversight function by publishing an update each year on progress made.

SLCC business year starting	LSS business year starting	Actions	Assessment by the SLCC	RAG rating
Jul 21	Nov 21	LSS to publish its response to this report	Is a response to our report published?	No
Jul 21	Nov 21	LSS to set out its own five-year trajectory to the next tender and to publish this	Has LSS set out a five-year plan Does the five-year plan include all of the actions below	No
Jul 21	Nov 21	Insurance Committee to share annual terms with SLCC	Has the Committee shared annual terms?	Yes
Jul 22	Nov 22	Review of governance of indemnity arrangements	Has LSS conducted a review of governance of indemnity arrangements? Does the review consider the issues raised in this report?	To some extent
Jul 22	Nov 22	Review of appropriateness of Master Policy in meeting the requirements of the 1980 Act	Has LSS conducted a review of the appropriateness of Master Policy in meeting the requirements of the	No

			1980 Act? Does the review consider the issues raised in this report?	
Jul 23	Nov 23	LSS engagement with profession and claimants on experience of the Master Policy	Has LSS engaged with the profession and claimants to inform tender criteria?	No
Jul 24	Nov 24	LSS publish clear statement of rationale/ purpose for the tender and construct tender criteria	Has LSS published a statement on the tender?	To some extent
Jul 24	Nov 24	LSS and SLCC to agree observation of the tender exercise	Has observation been agreed?	Yes, completed (but limited)
Jul 25	Nov 25	Tender exercise	Has the tender exercise been completed satisfactorily?	Tender exercise is complete
Jul 26	Nov 26	LSS to run an internal 'lessons learned' and provide outcomes to the SLCC	Has a 'lessons learned' exercise been completed?	Not yet due
Jul 26	Nov 26	SLCC to publish assessment of tender process, and close out report on the five-year cycle	Has a final report been published	Complete