

Compulsory professional indemnity insurance proposal and review of minimum standards

Consultation document

26 March 2026

Introduction

The [report of the Independent Review](#) into the regulation of lawyers in New Zealand identified that New Zealand is an outlier among comparative legal jurisdictions because it is not mandatory for lawyers practising here to have professional indemnity insurance (**PI insurance**). This poses a risk for consumers of legal services as well as for those lawyers who do not hold relevant insurance. As the Independent Review report commented:¹

It is not difficult to envisage a scenario in the future where clients will be adversely affected by lawyers not having cover for professional negligence. In the absence of professional indemnity insurance consumers risk being left without appropriate financial compensation to cover the consequences of a lawyer's negligence.

At present, lawyers in New Zealand are required to disclose to their clients whether the lawyer has PI insurance that meets or exceeds minimum standards set by the Law Society (**minimum standards**) or does not hold PI insurance at all.² But, unlike other comparable legal jurisdictions, there is no mandatory requirement to hold PI insurance.

Providing for compulsory PI insurance under the regulatory framework in New Zealand would strengthen consumer protection, ensure lawyers can meet claims for negligence, and maintain confidence in the legal profession as well as bring us in to line with international legal jurisdictions. We also recognise that making PI insurance a compulsory requirement for some lawyers would have real impacts, including higher costs of practice (which may be passed on to clients), the possibility that some lawyers may not be able to obtain cover, and potential effects on access to justice for some groups.

The New Zealand Law Society Te Kāhui Ture o Aotearoa (**the Law Society**) is therefore seeking feedback on:

1. Whether to introduce compulsory PI insurance for the profession and the key implementation considerations (if implemented)
2. Whether to increase the current minimum standards for the disclosure rules relating to PI insurance, which were last reviewed in 2021.

The Law Society welcomes your feedback as part of its consideration about whether to implement a compulsory PI insurance requirement. Other considerations informing the decision will include the protection of consumers of legal services, which is a core purpose under the Lawyers and Conveyancers Act 2006 (**Act**), the views of the Ministry of Justice as responsible agency for the legislation, as well as feedback from consumers of legal services and consumer protection and representative organisations. Amending the relevant Rules³ to implement a compulsory PI insurance requirement would also require approval from the Minister of Justice.⁴

¹ At page 59.

² Lawyers and Conveyancers Act (Lawyers: Conduct and Client Care) Rules 2008, [rules 3.4 and 3.4A](#) (**Rules of Conduct and Client Care**).

³ [Lawyers and Conveyancers Act \(Lawyers: Indemnity\) Rules 2008](#) and potentially rules 3.4 and 3.4A of the [Rules of Conduct and Client Care](#).

⁴ Lawyers and Conveyancers Act 2006, [section 103](#).

Please note that any decision to change the minimum standards for the disclosure rules relating to PI insurance (second item above) is separate from the Law Society's decision about whether PI insurance should be made a compulsory requirement. The minimum standards may be raised, kept the same, or changed regardless of whether PI insurance becomes a mandatory requirement.

We want your feedback

The consultation period commences on 26 March 2026 and runs until 5 May 2026.

The questions are set out below. To provide your feedback, please [complete the survey](#) by 5pm Tuesday 5 May 2026.

All feedback you provide will be treated as confidential. At the end of the consultation process, we will prepare a summary of the responses received, but no individual contributors will be identified.

Background

PI insurance is a type of cover that protects lawyers and law practices against financial loss if a client (or third party) claims they suffered harm because of the lawyer's professional services. Insurance may cover matters such as negligent acts, errors or omissions. It does not cover fraud or dishonesty by lawyers. There is a separate [Lawyers' Fidelity Fund](#) which exists to reimburse clients for monetary loss arising from theft by lawyers (and their employees).

PI insurance is currently optional in New Zealand

PI insurance is currently optional for practising lawyers in New Zealand but there are mandatory disclosure requirements. Under rules 3.4 and 3.4A of the [Rules of Conduct and Client Care](#), lawyers are required to disclose PI insurance arrangements (whether the lawyer holds PI insurance that meets or exceeds minimum standards set by the Law Society or does not hold PI insurance). The purpose of this disclosure requirement is to enhance client care and consumer protection. It ensures that, when a client engages a lawyer, they obtain information about the PI insurance arrangements for the law practice and can go ahead with the comfort of knowing that if something goes wrong, and the lawyer is at fault, there may be PI insurance available to meet a claim.

In a survey conducted by the Law Society in 2023 with a response rate of 57% of lawyers practising on own account, 84% of respondents (or almost 50% of all lawyers practising on own account at the time) confirmed that they held PI insurance that met the minimum standards specified by the Law Society. Of the 16% of respondents (or 9% of all lawyers practising on own account) who said that they did not hold professional indemnity insurance that meets or exceeds the minimum standards specified by the Law Society, the majority of those were barristers (56%) and sole practitioners (26%).

Compulsory PI insurance is common internationally

Compulsory PI insurance is a well-established feature in most comparable legal jurisdictions, including England and Wales, Ireland, Scotland, and several Australian states. While the principle of mandatory cover is consistent, the way these arrangements operate varies across regulatory regimes. In some jurisdictions, the obligation applies directly to individual lawyers, whereas in others it is imposed on law firms as entities. As discussed below, models adopted internationally (including in other professional regulatory environments, such as for accountants) include the open market model, a model in which a pool of insurers is approved, and a captive insurer/mutual model. These differences in approach reflect variations in professional structures, risk management approaches, and the applicable regulatory framework.

Information about the arrangements in comparable legal jurisdictions is available in [Appendix 1](#).

Risk to consumers of legal services if no or inadequate insurance held

Lawyers generally take out PI insurance to manage their risk if certain events affect their practice. This could include events outside the lawyer's control, such as a cyber event, as well as practice risks such as complaints and disciplinary matters.

By having PI insurance, the lawyer also protects their clients, who can engage the lawyer with the reassurance that, if something goes wrong, there may be insurance available to meet the client's losses. If a lawyer is not insured, and a client suffers loss due to the lawyer's negligent actions, the client may end up out of pocket through no fault of their own. It may be that many consumers of legal services are unaware of this risk (despite the disclosure requirements).

[Research](#) undertaken by the United Kingdom Legal Services Board in 2022 found that:⁵

'Consumers have low awareness of the existing arrangements in place to protect them when using legal services. There is a tacit assumption that such protection is simply part-and-parcel of the service/system. Whilst many were not aware of the exact nature of these arrangements, they tended to have taken it on trust that they would be protected in some way.'

As well as ensuring that individual client losses are met, PI insurance helps to enhance confidence in the legal profession generally. This is particularly important given the specialist and expert services that lawyers provide to members of the public who are unable or unqualified to undertake those services themselves. In this way, PI insurance supports two of the core purposes of the Act, specifically to maintain public confidence in the provision of legal services and to protect the consumers of legal services.⁶ The increasing number of incorporated law firms potentially with limited liability may also support the need for and importance of PI insurance, to cover those liabilities owed to consumers which might not be recoverable in full or at all if the firm's liability is limited.

In relation to inadequate or an absence of insurance, there may be associated or other particular risks you wish to provide specific feedback on in your response to the survey.

⁵ At page 3.

⁶ Lawyers and Conveyancers Act 2006, s 3(1).

Compulsory PI insurance would have an impact

The Law Society acknowledges that making PI insurance compulsory for some cohorts of lawyers will increase the cost of practice for those who do not already hold it. Lawyers who are required to take out PI insurance may raise their fees to cover the additional cost, which will have an impact on the lawyer's clients.

We also recognise that cover may not readily be available to every lawyer due to decisions made by insurers. If the requirement was compulsory, a decision by insurers not to provide cover to a lawyer could affect the ability of that practitioner to continue to hold a practising certificate. This could have flow-on effects for access to justice, particularly for communities and clients who may already face barriers in finding affordable legal support.

However, the benefits to consumers provided by a PI insurance requirement (protection of clients from losses due to the actions of their lawyer and improving general trust and confidence in the legal profession) make it important for us to present this proposal and seek feedback. Doing so will enable us to understand fully the views and experiences across the profession, public and insurers.

1. Compulsory PI insurance proposal

The Law Society is seeking feedback on whether to introduce compulsory PI insurance for all lawyers who are approved to practise on own account in New Zealand, including sole practitioners, barristers sole, and partners or directors of law firms. Refer below to the discussion about which groups could be exempt from the requirement.

Introducing compulsory PI insurance would require a change to the [Lawyers and Conveyancers Act \(Lawyers: Indemnity\) Rules 2008](#) and potentially to rules 3.4 and 3.4A of the [Rules of Conduct and Client Care](#). If implemented, non-compliance concerns would be addressed in the same way as other professional conduct rules, for example, through the complaints and disciplinary process or assessment of a lawyer's fitness to practise.

If this requirement is introduced by the Law Society, we want to ensure that it meets the needs of the profession and the public. We have identified four key matters that require your input, including practical considerations, potential impacts, and implementation details. These matters cover:

1. **Who should be required to hold PI insurance** – who the requirement would apply to.
2. **Scope of cover** – areas of legal practice that the PI insurance relates to, and types of risks covered.
3. **Level of cover** – the level of PI insurance cover per claim.
4. **Access to cover** – how a lawyer would access cover.

Who would be required to hold PI insurance

Specifying who the requirement to hold compulsory PI insurance should apply to is a key consideration. In other international regimes, some categories of lawyers can be exempt from

the requirement to hold compulsory PI insurance. This is usually because their risk profile is different, or they are already covered under another scheme. For example, in countries where PI insurance is compulsory it is common to exempt government legal practitioners, solicitors in interstate practice (who are insured elsewhere) or solicitors working for legal-aid organisations or community legal centres.

The Law Society considers that the following groups would be automatically excluded from the requirement:

- In-house solicitors, because risk is managed by their employing business or organisation.
- Employed lawyers, who will be covered by PI insurance held by their employer.

Based on the most recent [Snapshot of the Profession 2025](#), this would exempt from the requirement approximately 11,200 out of 17,500 lawyers with a practising certificate, or 65% of the profession.

One of the questions we are seeking feedback on asks whether you consider that any other groups should be exempt from holding PI insurance. For instance, you may think that the regulator should exempt lawyers practising in specific areas where risk is perceived to be low.

Scope of cover

Scope of cover refers to the areas of legal practice that the PI insurance applies to, and the types of risks included. Typically, PI insurance covers negligent acts, errors, and omissions. However, increasingly, lawyers are seeking additional protection for cyber security risks, both in New Zealand and internationally.⁷ Cyber security is a significant concern because lawyers handle highly sensitive information that can be targeted through cloud platforms and remote access. Some practitioners also opt for legal defence cost cover alongside claims cover. Another common feature is “run-off” cover, which extends liability protection for a specified period after a lawyer ceases practice, ensuring any claims arising from their previous work are still covered.

Level of cover

The level of PI insurance cover per claim is a critical part of implementing a compulsory PI insurance requirement. It determines the extent to which lawyers can meet claims and protects both clients and the profession. In some comparable international legal regimes, there is no minimum level of cover required which gives flexibility to individual lawyers and firms to choose their own level of cover. However, this could lead to inconsistency and potential gaps in protection for clients.

In other comparable international legal regimes, there is a minimum level of cover required, such as \$2 million.⁸ This provides certainty and a baseline level of protection and reduces the risk of underinsurance for clients and lawyers; but it may increase premium costs for some lawyer policyholders. Lawyers that work on high-value transactions may seek higher levels of

⁷ See recent articles: [NZLS | Strengthening fraud awareness and improving scam detection](#) and [NZLS | How to stay cyber safe in legal practice](#).

⁸ As discussed in more detail below, the disclosure obligations in New Zealand currently specify an indemnity limit which is the greater of \$1.2 million per practice or \$900,000 per partner (or per lawyer who is a shareholder/director in an incorporated firm).

cover as this provides reassurance to clients about their suitability to work on a high value transaction.

Access to cover

Accessing insurance is a key part of making compulsory PI insurance cover practical and workable. There are several ways this could be arranged, and each has implications for cost, administration, and compliance. We have outlined three below.

If the Law Society decided to implement any of these options, we would not expect a lawyer who already meets any compulsory requirements to change their existing PI insurer, but they may choose to do so if the new option is more favourable.

Open market model

An open market model is where lawyers would arrange PI insurance directly with insurers who can provide terms and conditions that meet the regulator's minimum requirements (e.g., scope of cover, exclusions, claims handling). This approach offers flexibility for lawyers to find a preferred insurer but relies on lawyers arranging their own policies and the market being able to offer terms to lawyers that meet the compulsory requirements. Because the market sets pricing, premiums are expected to be competitive, although the market will also determine who is able to secure cover. This means it is possible that some lawyers would not be able to secure cover from insurers in the market. Internationally, other professions such as accountants use this model.

Approved pool of insurers

An approved pool of insurers requires the regulator to select and approve a list of insurers who meet specific standards to deliver insurance to its regulated profession and to maintain and monitor the pool to ensure compliance. The main difference between an open market model and an approved pool model is that an approved pool involves direct involvement in the scheme from the regulator in approving the insurance provider, while an open market option does not.

All insurers in the pool agree to provide cover that complies with minimum requirements set by the regulator (e.g., scope of cover, exclusions, claims handling). Under this approach, lawyers know approved insurers' policies meet regulatory standards. As with the open market model, pricing is anticipated to be competitive, but it will be up to approved providers to determine who they are prepared to provide cover for (consideration would be required as to the position of lawyers identified as high risk by insurers who cannot obtain insurance through the market). Under this model, the regulatory burden on the regulator is more significant and resource would be required to meet this which may have a flow on effect for fees and levies on the profession. This model is the most common approach internationally including in England and Wales, and Ireland.

The Law Society acknowledges our strategic partnership with an insurer in its representative capacity, which makes a PI insurance product available to members of the Law Society. Any decision about an approved pool of insurers for a compulsory PI insurance requirement would be made by the Law Society in its regulatory capacity independently of this membership arrangement.

Captive insurer (not favoured)

Another option is the regulatory body operates a captive insurer (a single insurer for all practitioners). The Law Society does not support this approach. Running a captive insurer requires specialist expertise, substantial capital, and ongoing oversight. Establishing and then maintaining a captive insurer model could place significant burden on regulatory resources additional to the core regulatory functions of upholding professional standards and protecting the public interest. It would reduce lawyers' personal choice in terms of how they would prefer to manage their risk. It would also be expensive to regulate and administer, almost certainly resulting in higher practising certificate fees. Examples of this model exist in Queensland, New South Wales and Tasmania. In Queensland, the insurer is owned by a subsidiary of the Law Society,⁹ and in New South Wales, the insurer is a wholly owned but independent subsidiary of the Law Society. NSW has adopted a mutual model, which means that the insurer is funded and owned by its members. In Tasmania, PI insurance is administered by the Law Society who arrange cover for law firms by going to the market and entering an arrangement with a single provider.

2. Minimum standards for PI insurance

Alongside considering whether PI insurance should be compulsory for some lawyers, the Law Society considers it timely to consult on the minimum standards set under the RCCC that currently apply to the disclosure requirements in relation to PI insurance. As set out above, currently, lawyers must disclose to clients whether they hold PI insurance that meets the Law Society's minimum standards or if they have no cover.

The minimum standards, last updated in 2021, specify both an indemnity limit and an excess limit. The indemnity limit is the greater of \$1.2 million per practice or \$900,000 per partner (or per lawyer who is a shareholder/director in an incorporated firm). The excess must not exceed the greater of 1% of the indemnity limit or \$20,000.¹⁰

The 2021 review only adjusted for inflation, but a comparison with other jurisdictions shows New Zealand's minimum limit is lower than comparable schemes (refer to [Appendix 1](#)). The Law Society considers it timely to revisit these standards and assess whether they should be raised and is asking for your feedback on this matter.

Any decision to increase minimum standards will be independent of whether the Law Society decides to make PI insurance a compulsory requirement for the profession.

Next steps

When the consultation period ends, we will review all responses received and consider the feedback provided. This review will involve assessing the key themes from the feedback and identifying any common issues or opportunities raised. We will publish a summary of feedback provided.

⁹ See: [Balanced insurance for the legal profession - Lexon](#) for information about the scheme.

¹⁰ See here for full information on the minimum standards: [NZLS | Insurance disclosure](#).

Based on our analysis of the issue and the feedback received, we will determine the appropriate next steps and communicate any decisions in due course.

If the Law Society decides to implement compulsory PI insurance, non-compliance would be addressed in the same way as other professional conduct issues, for example, through the complaints and disciplinary process or assessment of a lawyer's fitness to practise. The Law Society would also determine how compliance is best monitored (such as a declaration or renewal certificate).

Key questions

Now you have considered the range of matters we would like feedback on, we would appreciate responses to the following questions. To provide your feedback, please [complete the survey](#).

Compulsory PI insurance

1. Are you:
 - a. A practising lawyer (i.e. you hold a current practising certificate whether issued in New Zealand or overseas)?
 - b. A former lawyer (you have previously held a practising certificate but no longer do so)?
 - c. A member of the legal community (for instance, a judge, a legal executive, a non-practising employee of a law firm, a law student)?
 - d. An employee or representative of an insurer?
 - e. A member of the public?

2. If a practising lawyer, do you work:
 - a. As an employed lawyer (i.e. in a firm, for a sole-practitioner or for a barrister sole)?
 - b. As an employed lawyer, in-house?
 - c. As a partner or director of a law firm?
 - d. As a sole practitioner?
 - e. As a barrister sole?

3. If a practising lawyer, do you currently hold PI insurance or is PI insurance held by your employer which covers your work?

If yes, do you know if the level of cover meets the [minimum standards](#) prescribed by the Law Society?

4. Do you think that the Law Society should decide to make PI insurance compulsory? Why?

5. We recognise that for some lawyers, affordability or the lawyer's risk profile may be an impediment to securing PI insurance for their practice. What mechanisms or supports do you think should be in place to address this issue?

6. If holding PI insurance becomes a compulsory requirement for lawyers, some groups of lawyers would be exempt from the requirement (in particular, employed lawyers and in-house lawyers). Should any other categories of lawyers be exempt from the requirement?

If so, which categories and why?

7. Should the scope of a compulsory PI insurance requirement include mandatory cover for cyber security risks, defence costs, run-off cover, costs associated with responding to complaints or disciplinary matters, and/or other areas? Please explain your reasoning
8. If PI insurance is made compulsory for some lawyers, what do you think the minimum required level of cover should be?
9. What do you consider is the preferred mechanism for lawyers to access PI insurance? Why?
- a. Open market
 - b. Approved pool
 - c. Other

Minimum standards for current PI insurance disclosure requirements

10. Regardless of a decision on whether PI insurance should be made compulsory, do you support an increase in the minimum standards for the current disclosure rules? Why?
11. If you answered yes, do you have any views about what an appropriate level of cover should be for the minimum standards in the current disclosure rules?

Other

12. Do you have any additional feedback or suggestions we should take into account in considering whether and, if so, how, to implement compulsory PI insurance?

To provide your feedback on these questions, please [complete the survey](#) by 5pm Tuesday 5 May 2026.

Appendix 1: Comparable legal jurisdictions (as at February 2026)

	New Zealand (for comparative purposes)	England and Wales		Australia			Ireland	Northern Ireland	Scotland
		Solicitors Regulatory Authority	Bar Standards Board	New South Wales	Queensland	Tasmania			
Legal requirement to hold PII	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes (Solicitors only)
Applies to	N/A	Solicitors Recognised bodies Licenced Private Practice firms Sole practitioners	Self-employed barristers	Uniform Rules provide that PII can be issued on either a practitioner basis or on a law practice basis covering practitioners	Incorporated Legal Practices Local legal practitioners Interstate legal practitioners Australian registered foreign lawyers	Law practices and practitioners Barristers	Law firms Sole practitioners	All practitioners in private practice	Every solicitor working in private practice
Access to Cover	Open market	Approved Pool (Participating agreement with Regulator)	Captive insurer	Approved Pool (Approved by Attorney General)	Queensland Law Society Captive insurer Bar Association of Queensland Approved Pool (Approved by Regulator)	Captive Insurer (negotiated annually with market)	Approved Pool (Participating agreement with Regulator)	Captive insurer(s)	Captive insurer(s)

	New Zealand (for comparative purposes)	England and Wales		Australia			Ireland	Northern Ireland	Scotland
		Solicitors Regulatory Authority	Bar Standards Board	New South Wales	Queensland	Tasmania			
Indemnity Limit (per claim basis)	Whichever is greater: a) \$1.2M per practice; or b) \$900,000 per partner or lawyer who is shareholder/director in an incorporated firm (excl defence costs)	Recognised bodies or licensed bodies £3M All other cases £2M (excl defence costs)	£500,000 (excl defence costs) (Max limit is £2.5M)	Law Practice (excl barristers) \$2M AUD (incl defence costs) Barristers \$1.5M (incl defence costs)	\$2M AUD (incl defence costs)	\$2M AUD (incl defence costs)	€1.5M (excl defence costs)	Partnerships & Sole Practitioners £2M (incl defence costs) Specific incorporated bodies £3M (incl defence costs)	£2M (excluding defence costs)
Defence Costs	Excluded	Yes, without limit (subject to T&Cs)	Yes, without limit (subject to T&Cs)	Yes	Yes	Yes	Yes, without limit (subject to T&Cs)	Unknown	Yes, without limit (subject to T&Cs)
Cyber Cover	No	No	No	No	No	No	No	No	No
Run-off Cover	Recommended (6 years)	6 years	6 years	7 years	5 years	Unlimited	6 years	6 years	Duration of Master Policy