

Excess Insurance:

More necessary than you may believe

Who should be thinking about the need for excess insurance? Everyone.

As the complexity of claims increases, more lawyers are recognizing that their potential exposure to risk may be larger than they anticipated. To protect themselves and their law practices, they are turning to excess insurance to provide an extra layer of malpractice insurance protection.

Excess coverage gives lawyers peace of mind knowing that if the cost of their claims exceed the limits of the primary program, they have additional resources to draw on. In the eight years since LAWPRO introduced its excess insurance program, the program has grown to 1,600 firms in 2005 from 80 firms in 1998.

Based on our statistical analysis, lawyers in practice for the typical length of a law career will have at least three claims made against them over the course of their law practice. One out of every two lawyers reading this article will have to report a claim in the next eight years. Four out of five lawyers in practice for 20 years have already had at least one claim made against them.

IT TAKES JUST ONE CLAIM

A single claim is all it takes to erode coverage limits to the point where there are insufficient funds left to resolve that claim.

How can this happen?

- Defence costs alone could quickly mount to \$500,000 or more if the claim requires a substantial defence.

- Significant prejudgment interest likely will be assessed on a claim that arises out of services provided years ago.
- The stakes, and the cost of claims, are significantly higher in some areas of law, such as securities, tax, pensions, real estate, and estate work.

As well, many claims today are more complex than in the past – resulting, for example, in an increase in the average cost of claims on which we incur defence or indemnity costs over the past decade.

Lawyers need to consider that it is not only their own work and clients that they have to worry about: You can also be held accountable for the work of partners, associates, employed lawyers, others with whom they have worked, and those to whom they've subcontracted work, in the past and present. In fact, anyone who provides services in connection with the firm, or whose work or expertise that you rely on, could become the root cause of a claim.

Without excess insurance coverage, you could be personally liable – with potentially devastating personal and professional consequences – for any costs that exceed the \$1 million per claim/\$2 million in the aggregate coverage limits provided by the LAWPRO primary liability insurance program.

To assess your potential exposure to claims and the need for excess insurance, take the Test Your Exposure test on page 5 of this magazine.

LAWPRO Excess Insurance

LAWPRO's Excess Insurance program offers limits that range from \$1 million per claim/\$2 million in the aggregate to \$4 million per claim/\$8 million in the aggregate above the primary program coverage limits.* Note that this is a firm limit that applies to all lawyers in your firm collectively.

Premiums are competitively priced, based on information provided by applicants in the Excess Insurance Application.

To apply for LAWPRO Excess Insurance, please complete the online Excess Insurance Application at www.lawpro.ca. Select File Online, then Excess Insurance Application.

For more information on Excess Insurance, watch your mail or contact the LAWPRO Customer Service Department at:
Tel: (416) 598-5899 or 1-800-410-1013;
Fax: (416) 599-8341 or 1-800-286-7639;
E-mail: service@lawpro.ca.
www.lawpro.ca.

* LAWPRO primary program provides coverage limits of \$1 million per claim/\$2 million in the aggregate.