

Claims report

Currently projected claims costs for 2014 hover around \$109 million with subtle shifts seen in cause of loss

As details of the claims picture for 2014 come into focus, it appears that claims costs (including internal claims handling expenses) are on trend around the \$109 million mark. The rate of claims per 1,000 lawyers was 103 in 2014 – almost the same as in 2013 – an encouraging result in light of a claims rate “high water mark” we reached in 2012 (108 claims per 1,000 lawyers).

There continues to be evidence that claims are becoming more challenging to close. While the number of claims reported each year has been fairly consistent recently, the number of open claims shows a steady upward climb. Also, the number of “high value” claims (defined as claims with a value over \$100,000) has also risen steadily.

Figure 1 Number of claims reported and frequency*

* By report year, as at February 28, 2015

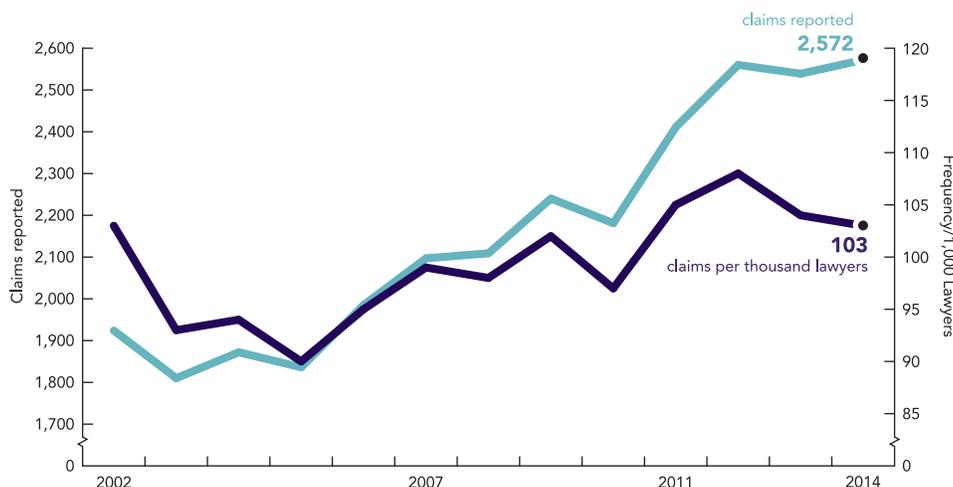
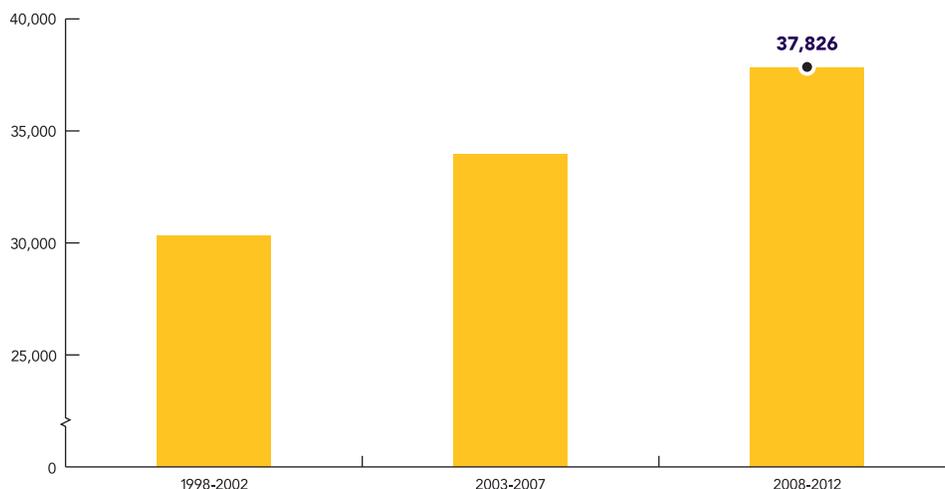


Figure 2 Average cost per claim at 38 months after start of year in which claim was reported*

*As at February 28, 2015



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Claims by cause of loss

When cause of loss is considered, 2014 data suggest some subtle changes. Communication errors remain the leading cause of loss, but there was a slight decrease in the proportion of claims related to communication problems. There was also a modest decrease in the rate of time management claims – possibly due, among other reasons, to LAWPRO’s communications about avoiding administrative dismissal of actions for delay.

Which causes of loss “took up the slack”? In 2014, we saw an increase in the rate of claims attributed to inadequate investigation. Claims are coded as being caused by inadequate investigation where there is an allegation that a lawyer failed to ask key questions of the client, or to make appropriate inquiries (for example, in real estate law, to determine how a property is zoned, or whether there are outstanding work orders).

Figure 3 Reported claim count by cause of loss by fund year*

*As at February 28, 2015

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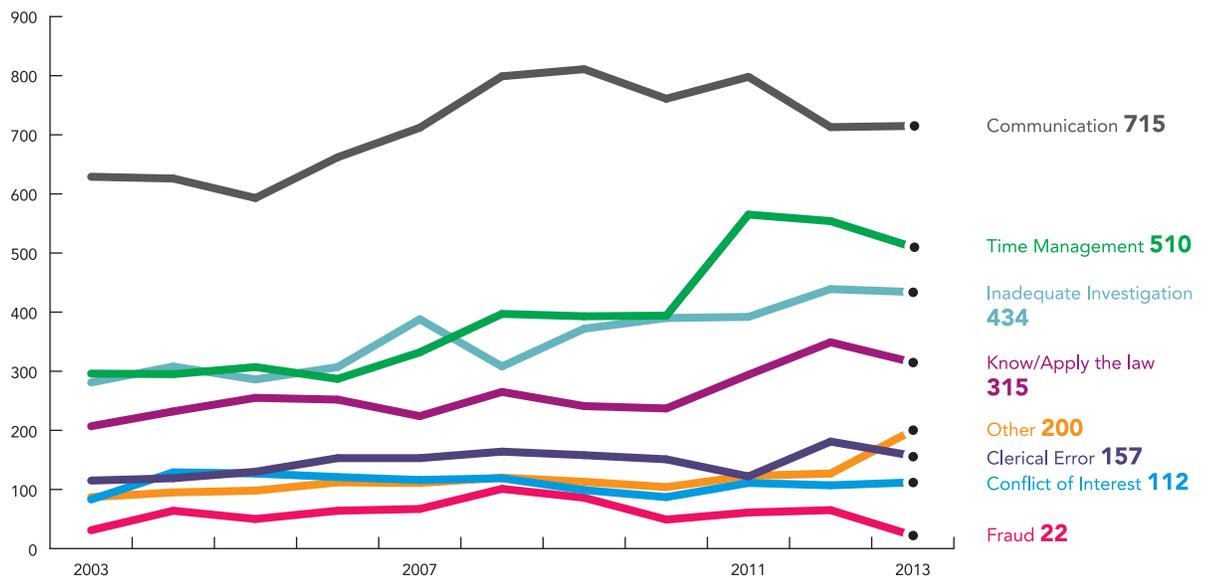
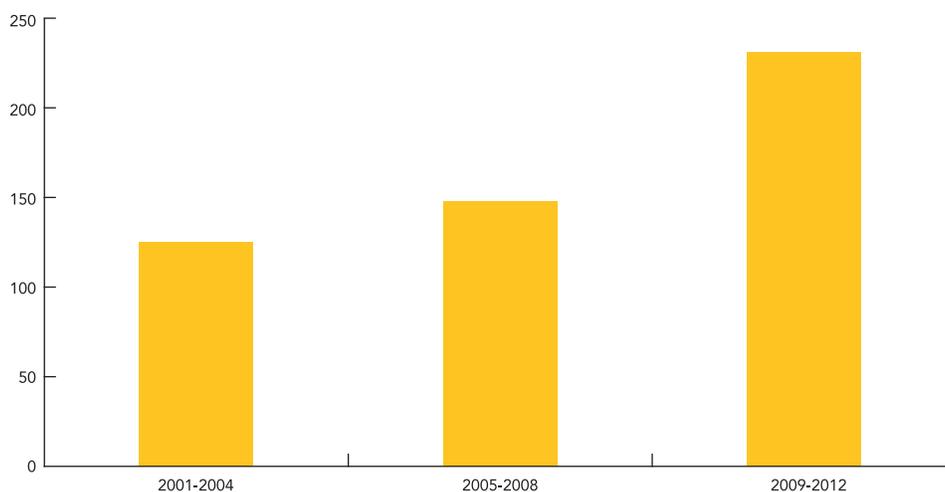


Figure 4 Average number of claims reported per annum with a value greater than \$100,000*

*As at February 28, 2015

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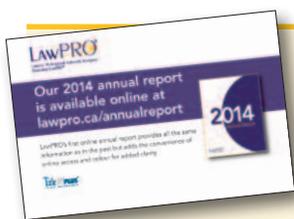
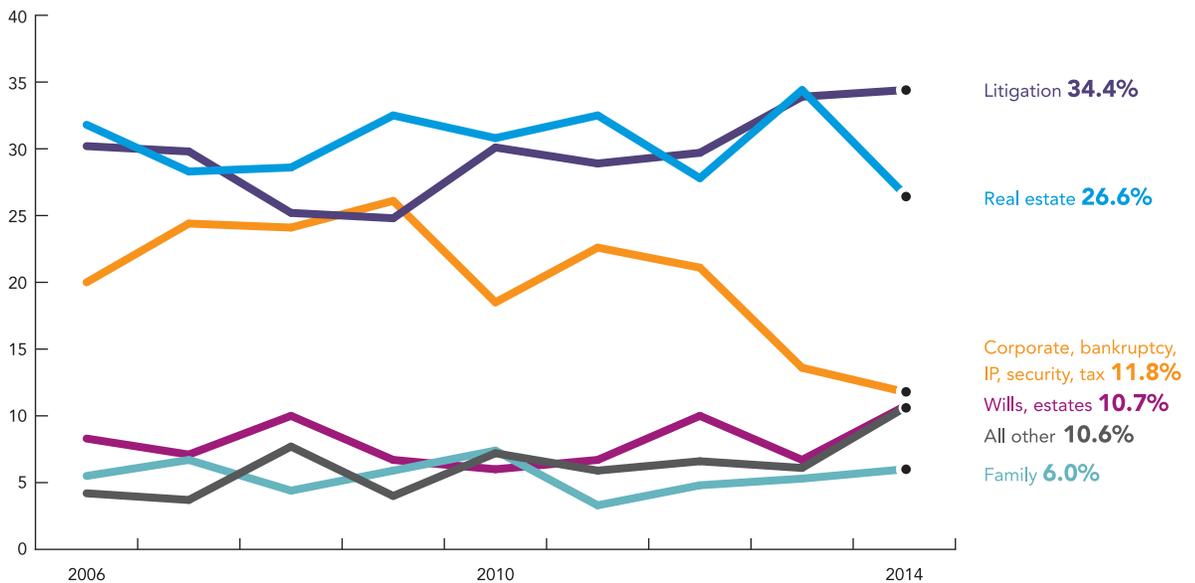
Claims by area of practice

Risk-rating the insurance program requires that we analyze claims based on the area of law in which they arise. The areas that have traditionally yielded the highest rate of claims continue to do so: litigation was responsible for the highest rate – 35.3 per cent by count (accounting for 34.4 per cent of total claims costs) – and real estate for 26.6 per cent of claims by both count and cost. While

most other areas of practice remained relatively stable, the rate of claims in wills and estates practice has increased in six of the last ten years, reaching an all-time high in 2014 in both count percentage (8.6 per cent) and costs share (10.7 per cent). However, overall it is still a relatively modest area of claims, with relatively few practitioners specializing in it as an area of law. Consequently, one or two claims may cause a significant fluctuation from year to year. ■

Figure 5 Distribution of claims by area of practice*
(% of gross claims costs)

*As at February 28, 2015



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