

somewhere, it is believed, in the 220 to 230 per cent range – over the next five years. And to do so, the company needs to budget for a profit of about \$5 million to \$7 million annually.

At a 220 per cent MCT, LawPRO would still be below the levels of other comparable insurance companies – such as commercial insurers whose MCT, for example, often exceeds 300 per cent. So this target MCT range for LawPRO seems entirely reasonable and fiscally responsible.

The question is: How do we get to this 220 – 230 per cent level?

We need to increase the amount of capital available, either by generating more net income (revenues exceed expenses) or by increasing the value of the company's surplus investment portfolio – extremely difficult to do in today's economy over which, of course, we have no control.

That leaves us with only one option: To increase net income. How do we increase net income? We must either bring down claims costs – and this is not happening – or increase insurance premiums.

Hence the need for the \$400 premium increase. We need to increase premiums not only because claims costs are high, but also because we need to move in the direction of a sound, stable MCT ratio – one that strengthens the long-term viability of the insurance program and ensures that it continues to benefit the whole of the practising bar.

For more on the importance of a healthy and stable MCT, see "Insurance Biz 101: Why profit is not always a bad word," LawPRO Magazine, September 2010 (www.practicepro.ca/LAWPROMag/InsuranceBizProfit.pdf).

Age restriction removed

Under Exemption (c) category, lawyers on a temporary leave of absence from practice are eligible for exemption from the payment of the insurance premium levies, provided the absence is not more than five years if taken for reasons of family or illness, or two years if taken for any other reason.

Under this form of exemption, lawyers are provided with \$1 million per claim/\$2 million aggregate limit protection without making premium payments. This contrasts with the usual \$250,000 per claim/aggregate limit protection offered under most other forms of exemption.

At present, this exemption is said not to apply if the lawyer is 65 years of age or older or has taken alternative employment.

The age restriction will be removed in 2011.

Have you considered Excess insurance?

Why should you consider buying Excess insurance this year? Consider these facts:

- One out of every two lawyers who read this article will report a claim or potential claim against them in their career. Of these, one in 100 claims will top the \$500,000 mark.
- Think you're immune to claims because you're an experienced lawyer? Think again: 67 per cent of lawyers who reported a claim or potential claim had 15 years of experience or more. In other words, of the 11,500 claims reported in the past five years, 7,500 were reported by experienced lawyers.

Traditionally, lawyers begin to take on more complex cases with more experience which increases chances of a claim. Lawyers also take on greater workloads and enter into fields they might not have much experience in, such as dabbling in real estate or corporate law. This increases the likelihood of mistakes.

- Further, keep in mind the work of your partners, associates and employed lawyers, which can potentially expose you to a claim. While you might be diligent, your associates might make a mistake. You could be personally liable for any costs

over and above the \$1 million per claim provided by the primary liability insurance program.

With claims costs on the rise (\$1 million isn't nearly as much as it used to be,) the time may be right for you to consider purchasing Excess insurance. It only takes one claim to seriously dent your coverage limits, and Excess insurance acts as a backstop should you top out on your mandatory plan.

Applying for Excess insurance is easy: Contact our Customer Service department at (416) 598-5899 or 1-800-410-1013 or email at service@lawpro.ca and ask about our Excess insurance policy. They will send you a no obligation quote. If you chose to increase your coverage limits, you need only apply once. Your Excess insurance is automatically renewed each year and no extra paperwork is involved.

Placing your Excess coverage with LawPRO also simplifies your reporting obligations if you have to report a claim: You report only once – as your primary and Excess insurer are one and the same.

The comfort of knowing you're covered is priceless. Call LawPRO today to get your no obligation quote.