

Ames & Gough
8300 Greensboro Drive, Suite #980
McLean, VA 22102

News Release

LAW FIRMS SEE RISE IN MALPRACTICE CLAIM SEVERITY

**Ames & Gough Survey: Most Leading Law Firm Insurers
See Uptick in Claims above \$50 million**

*For further information, contact:
Dan Knise, 703-827-2277, or
Al Modugno, 917-414-4569*

WASHINGTON, DC, July 1, 2014 – Although the frequency of law firm malpractice claims has begun to level off following a post-recession surge, their severity has continued to increase. A new study by insurance broker Ames & Gough finds most leading legal malpractice insurers had a continuing increase in claims in excess of \$50 million.

In its fourth annual survey of lawyers' professional liability claims, Ames & Gough examined the trend by polling eight of the leading Lawyers' Professional Liability insurance companies that on a combined basis insure more than 80 percent of the AM Law 100 firms. Four insurers either paid or participated in paying a claim of \$100 million or greater; two others had a payment between \$50 million - \$100 million.

Furthermore, six of the eight insurers surveyed reported having more claims with reserves of \$500,000 or greater in 2013 than 2012.

“The complexity and longer development pattern of the post-recession claims together with soaring defense costs led law firms to experience a significant uptick in malpractice claim severity in 2013,” said Eileen Garczynski, partner and senior vice president of Ames & Gough.

Among specific practice areas, real estate law continues to see the largest number of malpractice claims, albeit not to the extent as in prior years. Meanwhile, corporate and securities received an equal number of responses from insurers (63 percent), an increase from last year.

“When business deals go bad, clients often look to their lawyers for compensation,” said Ms. Garczynski. “To minimize their risk of related malpractice actions, law firms need to maintain a strong conflicts database and clearly identify who they're representing in a transaction. They should also avoid serving on their clients' corporate boards.”

Conflict of interest remains by far the leading alleged legal malpractice error. This year, six of the eight insurers surveyed cite conflicts as the leading cause of malpractice claims.

“Law firms need to evaluate merger opportunities not only for growth, competitive leverage, and cultural synergies, but in terms of their potential risk issues,” Ms. Garczynski noted. “Before you shake hands, consider potential conflicts, ensure you have a sound strategy to combine the firms' practices and their back-office functions, and perform proper due diligence on the firm's people. Partners need to have similar philosophies to be successful working together long term.”

Half the insurers surveyed have had a Lawyers’ Professional Liability Insurance claim arising from a cyber or network security event. Of the four insurers with these claims, three traced the breach to a lost or stolen laptop. For the other, a combination of employee error, hacker and disgruntled employee led to a network security breach claim.

“Given how rapidly technology is evolving, it’s almost impossible to be free from cyber and data security risks,” said Ms. Garczynski. “Law firms need to assess how they exchange information and the type of client data they handle or maintain on their own systems. Once they have a basic understanding of their risks, they need to take the steps needed to address them.”

She added: “For cyber risks and the various other exposures law firms face today, a greater focus on firm-wide risk management is a key to reducing the likelihood of large malpractice claims and their costly consequences.”

The insurers participating in the Ames & Gough survey were: AIG/Lexington, AXIS, BRIT, CNA, Catlin, Ironshore, Markel, and Swiss Re Corporate Solutions. Copies of the survey, *Lawyers’ Professional Liability Claims Trends: 2014*, may be obtained free of charge by emailing requests to: info@amesgough.com. Those requesting the survey should include their name, title, affiliation, and phone number, and state “LPL Claims Survey 2014” in the subject line.

#

About Ames & Gough

Ames & Gough, founded in 1992, has established itself as a committed, superior resource for law firms, design professionals, and other consulting firms and professional organizations and associations in need of professional liability insurance and risk management assistance. In recent years, the firm has expanded its capabilities to include management liability, employment practices liability, kidnap & ransom and related insurances; as well as more typical property and casualty insurances. The firm has offices in Boston, Philadelphia, and Washington, DC. Visit the Ames & Gough Website at <http://www.amesgough.com/>.