

PROFESSIONAL INDEMNITY INSURANCE RENEWAL 2001

By Cheryl Richardson, Marsh Ltd

We are fast approaching renewal of our Professional Indemnity Insurance, and the Law Society is currently in negotiations with our insurance broker Marsh Pty Ltd to ensure that we achieve competitive premiums.

Initial indications from Marsh are that we should expect an increase in premium this year, which is probably not surprising to most of you if you have been reading the various media reports regarding some of the premium increases already being experienced in the eastern states by solicitors and barristers.

Contributing to the premium hikes is the collapse of HIH, which has left a reduced market of insurers who are in a position to write this class of cover for solicitors. Those remaining are taking extra precautions to ensure that premium is sufficient for their claims provisions, and are increasing premiums for all areas of business. It is however the claims experience, in both frequency and cost, that is ultimately the major contributor to premium increases, and insurers have been hit fairly hard in claims in most states in recent years. Even without the HIH collapse, premiums would have been increasing quite substantially for many insureds.

Unfortunately the NT claims experience has deteriorated greatly over the last twelve months, and as such we are not immune from these increases.

To give you a bit of a picture as to what has happened with claims, basically our estimated claim losses for the past five years have increased by over \$1 million in the past twelve months.

The estimated total cost of claims for one year in particular has increased by \$500,000 compared to this time last year, with other years also exceeding expected maximums, and exceeding premiums paid for those

years. This has had quite a detrimental affect on premium negotiations this year, as essentially the current premium pool is viewed by insurers as potentially insufficient to meet overall claims costs. And whilst the \$1 million increase in claims figures is not attached to any one policy year, insurers do take such strong movements in the estimated claims costs into account when establishing their premium for the forthcoming year.

Nearly all claims reported fall within the compulsory Sum Insured cover, and it is this area where insurers are seeking an increase in premium. For those of you who currently purchase in excess of the compulsory \$750,000 limit, we are expecting increases to be limited to between 5% and 15%, however the increase for those currently only purchasing the compulsory limit is expected to be in the realm of 30% to 35%. The increases are in line with what is being experienced around the country with most other Law Societies, although some states were already on much higher base premiums and so their actual percentage increase may be lower.

Whilst the base premium increases indicated are going to mean a reasonable increase in premium for many of you, Marsh are negotiating with insurers on the basis of the premium applying to a higher \$1 million compulsory limit. As most claims are currently under the compulsory limit, Marsh are confident that this can be negotiated with little premium difference between the \$750,000 and \$1 million limits. Details of this will be provided with the Renewal Packages that are due to be distributed to all practitioners in later August.

We in the Northern Territory have enjoyed the most competitive premiums for Solicitor Professional Indemnity Insurance in Australia for

a number of years, and whilst we do not have current figures for all other states, will remain very much at the lower end on a state by state comparison in spite of the expected increases. It is difficult to do direct comparisons, as some states have different rating structures, however we are confident that for most practitioners / firms in NT the cost of insurance will continue to be below that of their interstate counterparts.

As we have done in the past, we will provide a summary of where most claims are occurring in our next issue of Balance. It is however interesting to make a preliminary observation that whilst "Out of Time" notifications have historically been high in frequency but low in payments, there has in recent times been a marked increase in the number of out of time notifications where extensions of time have been statute barred and therefore not granted. As such, we expect the historical trend for this area of high frequency / low cost, to become one of the highest risk areas. We urge all firms and practitioners to pay particular attention to limitation times and ensure that all practitioners in your firm are familiar with legislative limitation periods in particular.

Marsh will be reporting on the final premiums to the Law Society within the next week, with Information Papers due to practitioners in the last week of August. If you however require assistance in establishing estimated budgets for your renewal, please contact Marsh Ltd:

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