



# IN BRIEF

MALPRACTICE AVOIDANCE NEWSLETTER FOR OREGON LAWYERS

Issue No. 85

OCTOBER 2001

## HOW THE ASSESSMENT IS SET

Generally, the PLF assessment is calculated by projecting claims cost and operating expenses, and dividing these expenses by the number of lawyers in private practice.

Of the two expense categories (claims costs and operating expenses), the cost of claims is by far the more significant factor affecting the assessment. The total cost of all claims is the projected severity multiplied by the projected frequency of claims for the year. Projected severity is the actuaries' estimate of the combined indemnity and defense expense per claim. Projected frequency is the actuaries' estimate of the number of claims for the year. The actuaries project claim severity and frequency by reviewing the PLF's claims history.

Once the claims expense projection is made and operational expenses taken into account, the BOD looks to other factors that affect the finances of the Fund. Available investment income and the level of retained earnings are both considered. "Retained earnings" are assets that are above the total claim liabilities of the PLF. Whenever possible, the PLF keeps retained earnings at a level that is reasonable to absorb higher than projected claims expenses. The actuaries help determine this level. The final assessment is set at a level that is projected to provide enough income to pay for the costs of claims and PLF operating expenses for the year.

The PLF's Excess Program, which provides coverage up to \$5,000,000 above the primary level, is accounted for separately and does not affect the primary program assessment.

### DISCLAIMER

This newsletter includes claim prevention techniques that are designed to minimize the likelihood of being sued for legal malpractice. The material presented does not establish, report, or create the standard of care for attorneys. The articles do not represent a complete analysis of the topics presented and readers should conduct their own appropriate legal research.