PROFESSIONAL LIABILITY FUND
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IN BRIEF

MALPRACTICE AVOIDANCE NEWSLETTER FOR OREGON LAWYERS

Issue No. 85 **OCTOBER 2001**

PLF ASSESSMENT INCREASES $400

The PLF requested, and the Board of Governors approved, a $400 increase in the PLF assessment. This increase will return the assessment to its 1997 level of $2,200. This is the first increase since 1997. The assessment is determined by using 2001 claims experience to project 2002 claims expenses (projected severity of claims times projected frequency of claims), projecting expenses of operation, projecting investment income, and taking into consideration availability of other assets.

The increase is necessary for a combination of reasons. First, the PLF's recent claim experience has been worse than expected with claim costs in 1999 and 2000 reaching historic highs. This worse than expected experience has resulted in an increase in projected claim costs for 2002. Second, reduced expectations for investment returns have led to a reduction in income projections. In the past, investment income has paid expenses that otherwise would have been included in the annual assessment.

The overall picture, however, appears to be improving. The early 2001 claim experience reflects a trend quite different than the experience of 1999 and 2000. For the first six months of 2001, indemnity paid on claims was significantly lower than indemnity paid on 1999 and 2000 claims. There have been some increases in defense costs, but they are more than offset by the decreases in 2001 indemnity payments. In addition, the frequency of claims is running slightly lower than the projected level. While it is early to tell if these trends will continue, they are encouraging.

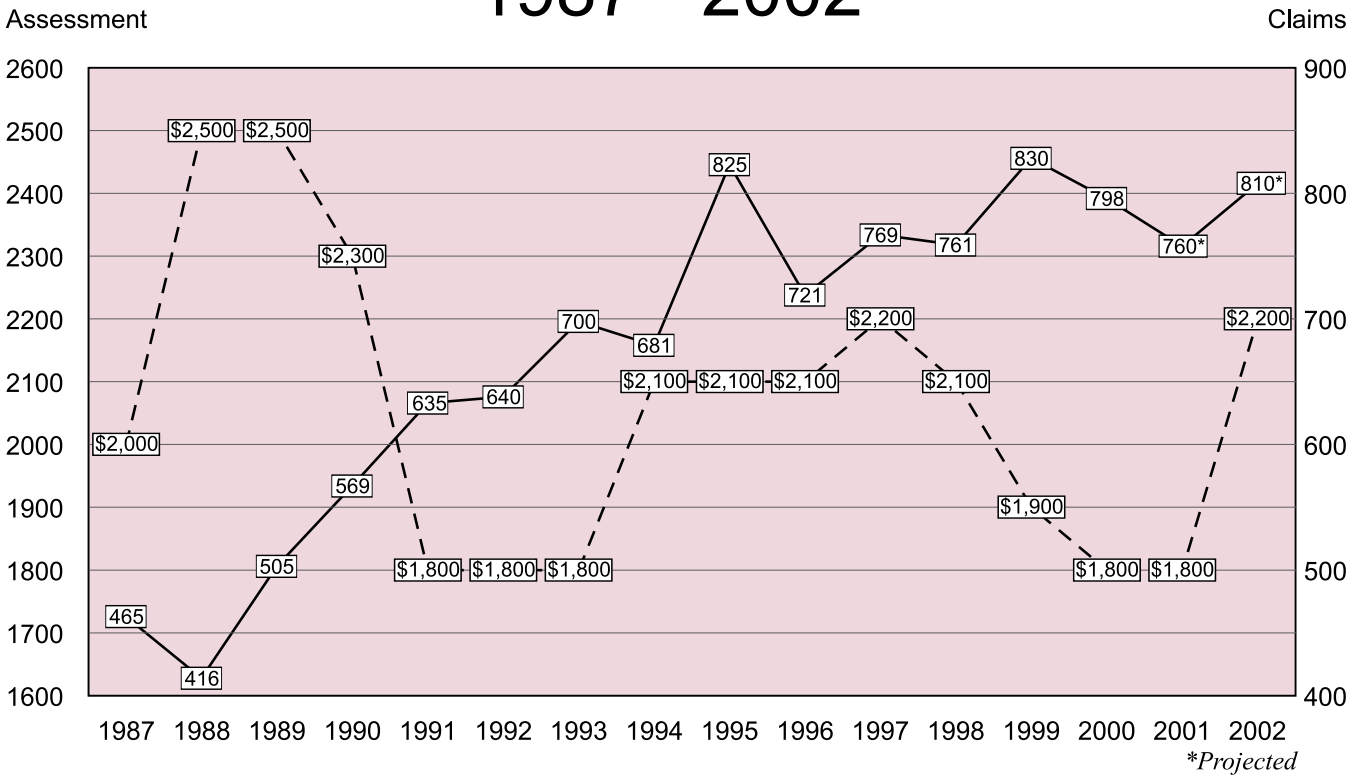
The factors affecting the PLF's experience are being felt by all providers of legal malpractice insurance. As a result, nationally, lawyers are finding it more difficult to purchase legal malpractice coverage. Many insurers are withdrawing from the legal malpractice market. Others are insisting upon minimum premiums set at a rate that many sole practitioners and small firms find difficult to manage. Some providers are increasing their underwriting criteria, making it difficult for some attorneys to find coverage. As a result, rates for attorney malpractice insurance are increasing throughout the country. In fact, many carriers' rate increases are significantly higher than the PLF's 22% increase. Rates in Washington are projected to be as much as 100% higher for comparable limits. Other insurers in the region estimate that increases in 2002 will be from 25% to 40%. (See chart on page 2.)

The PLF was founded in 1977, in part, in response to similar marketplace conditions. The PLF was created to provide stable malpractice coverage to all Oregon lawyers, even during times of significant disruptions of the insurance market. The PLF Board of Directors is pleased that the considerable strengths of the Oregon approach are reflected in the current stability of PLF coverage. In addition to accomplishing the goal of market stability and consistent availability of coverage, the PLF also serves Oregon lawyers well in many other ways – a coverage plan with no deductible, extensive loss prevention services (including CLE programs, practice aids, practice management advisors and the Oregon Attorney Assistance Program), and an experienced high-caliber claims attorney staff.

I am happy to discuss the assessment, or any other aspect of the PLF, with you. Feel free to call me anytime.

Ira R. Zarov, *Chief Executive Officer, Professional Liability Fund*

PLF Statistics
1987 - 2002*



2002 MALPRACTICE COVERAGE COST COMPARISON

STATE	LIMITS	DEDUCTIBLE	RATES
California	$1mil/$3mil	$1000	$9295
Alaska	$1mil/$1mil	$1000	$6103
Washington	$1mil/$1mil	$1000	$4548
Nevada	$1mil/$1mil	$1000	$4548
Montana	$1mil/$1mil	$1000	$3790
Idaho	$1mil/$1mil	$1000	$2766
Oregon (PLF)	**$1mil/$1mil**	**$ -0-**	**$2600**

Note: The PLF's primary $300,000/no deductible coverage is not available in the commercial market in other states. Comparisons are made using the more commonly available $1,000,000 in coverage with a $1000 deductible. The PLF rate represents the combined cost of PLF primary coverage plus $700,000 in excess coverage and assumes some prior participation in the PLF Excess Program.