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Lawyers Professional Liability

Top five reasons why rates are rising

Some may be surprised by LPL rate increases. Here's why the market is hardening:

1. Social inflation

$54M **median settlement – top U.S. verdicts 2018**

From 2019 to Q2 2020, legal malpractice payouts were the highest on record although number of claims was flat.[1, 2]

2. Increasing claims defense expenses

73% **of insurers reported an increase in rates**

paid to defense council.[3] In 2019, insurers spent between $6.7M and $6.6B in defense and cost containment.[4]

3. Cybersecurity claims

$73K **total costs to respond to cybersecurity claims**

resulting from malware/ransomware attacks.[5] The severity of these claims, combined with rising attorney fees of 2% to 5% annually,[6] are driving LPL rates up.

4. Catastrophe, cyber, and other claims

$210B **2020 global losses from natural disasters[7]**

Hurricanes, wildfires, and other nat cats can cause rate increases across coverage lines. Average paid loss for a cyber claim rose to $358k in 2020 from $145k in 2019.[8]

5. High-risk practice areas

$300M **paid by some insurers who covered law firms**

practicing in trusts and estates, business transactions, corporate and securities, and other high-risk sectors. Higher rates may be due to the long-tail nature and severity of these claims.[2]

Select wholesale brokers rely on Munich Re Specialty Insurance's E&S LPL team for coverage on difficult-to-place risks for 26+ attorney firms.
Learn more at MRSI's Broker Resource Center.

Sources:
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