

LAWYERS IN EUROPE WILL PAY NEARLY €1BN FOR PI COVER BY 2017

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Clients in Spain are showing an increasing tendency to sue law firms, according to a reinsurer, with many now expecting firms to advise on the 'merits' of deals

The total amount law firms in Europe spend on professional indemnity insurance will increase to nearly €1 billion by 2017 as the number of clients making such claims grows, according to data collated by the wholesale division of international reinsurance company PartnerRe.

Research by PartnerRe Wholesale shows that the pan-European legal services sector will be spending €955.2 million on professional indemnity insurance by 2017, up from €889.5 million in 2013. It is estimated that the professional indemnity insurance market in Spain (for all professions including lawyers) will be worth €412 million in 2017, up from €393.3 million in 2013. The research was commissioned by PartnerRe Wholesale and conducted by Finnacord.

Clients recovering losses

Marc van der Veer, general manager at PartnerRe Wholesale, says that with clients losing money during the economic crisis, they are increasingly looking to recoup some of their losses via negligence claims against their professional advisers, including their lawyers.

"In this type of claims environment, law firms are becoming more exposed to potential claims," Van der Veer adds. "Increasingly, clients are asking their legal advisers for information about what professional indemnity cover they have."

Growing risk of being sued

Traditionally, Spain does not, to a great extent, have a culture of clients suing their legal advisers, but Van der Veer says that this situation is changing and the country's law firms face a growing risk of being on the receiving end of a negligence claim.

He claims: "There is a bigger need for insurance as a safeguard for if things go wrong."

With law firms facing the prospect of having to pay more in professional indemnity insurance premiums, one way in which they can limit their expenditure is through the formation of an affinity group, that is a group of professionals from the same industry sector joining together to share liability and insurance arrangements. "With an affinity group, the limits of liability are quite low," Van der Veer says.

What are among the most common mistakes that lead to professional negligence claims against lawyers? According to PartnerRe Wholesale, one of the most common issues is lawyers failing to fulfil their duties to advise on the "merits of a deal" – clients may consider that their legal advisers have effectively advised the client on whether or not they should proceed with the deal, rather than simply carrying out the legal work to facilitate the deal.