



# Professional Indemnity Insurance in Litigious (or any) Times

Commonwealth Law Conference, Goa, India

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March 8, 2023

# Overview

1. Law Society Indemnity Program
2. Mandatory coverages:
  - Part A (negligence)
  - Part B (theft)
  - Part C (social engineering)
3. Managing indemnity programs in litigious times – 3 ways:
  - Respond
  - Repair
  - Resolve

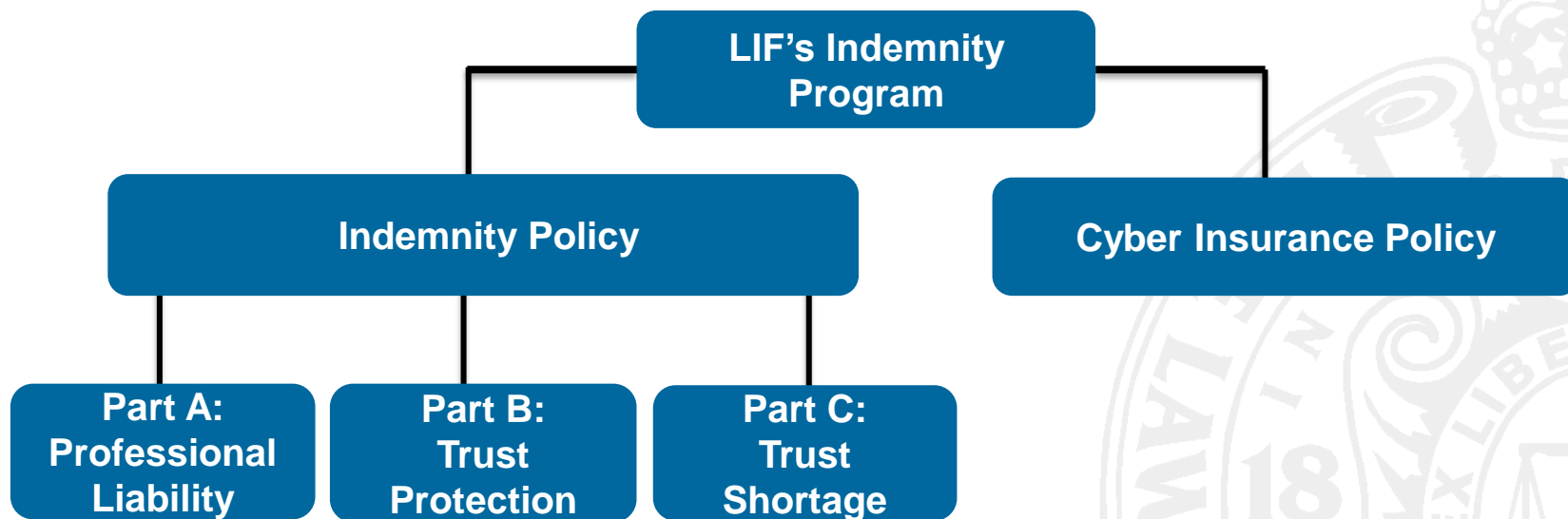


# Indemnity Program

- Mandatory and compulsory insurance for 10,000 lawyers
- Optional coverage - in-house lawyers
- Wholly-owned non-profit subsidiary, BCLIA, issues the “indemnity” policy. Not regulated
- Division of the Law Society, Lawyers Indemnity Fund, manages the program
- Managed entirely in-house
  1. policy wordings / optional coverages
  2. claims management
  3. risk management / loss prevention
- Annual fee of \$1,800 has increased \$50 in 13 years

# Indemnity Program

The Indemnity Program is made up of the indemnity policy issued by LIF and the network security and privacy liability (cyber) insurance policy arranged by LIF:



# Part A Coverage

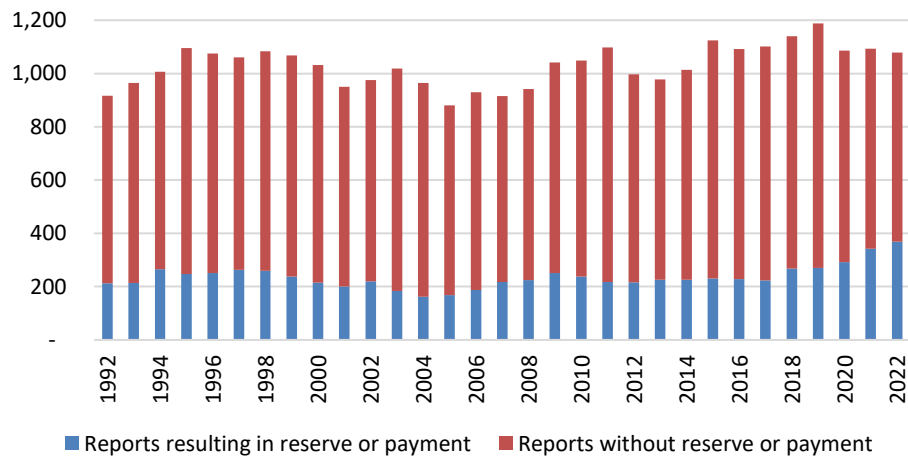
- Since 1986
- For negligence
- \$1M for each “error”; \$2M annual aggregate per lawyer
- Defence costs within limits
- \$5,000 or \$10,000 deductible
- “Free” defence



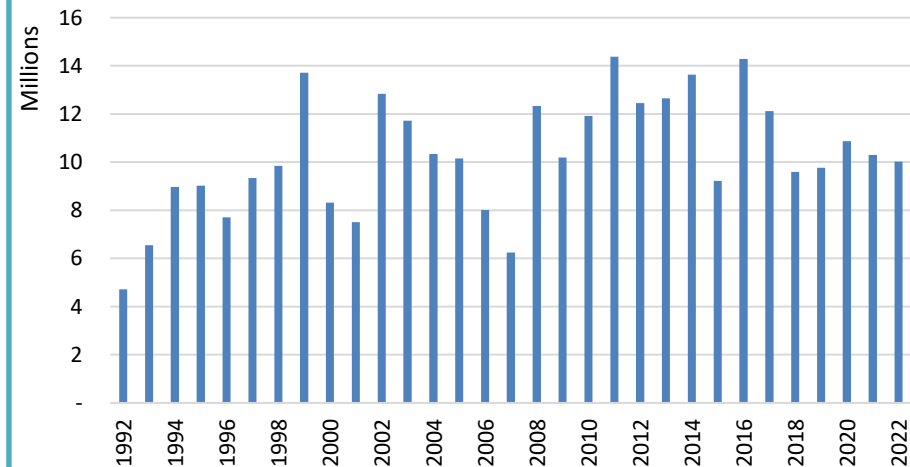
# Part A Reports 1992 – 2022



Number of Reports

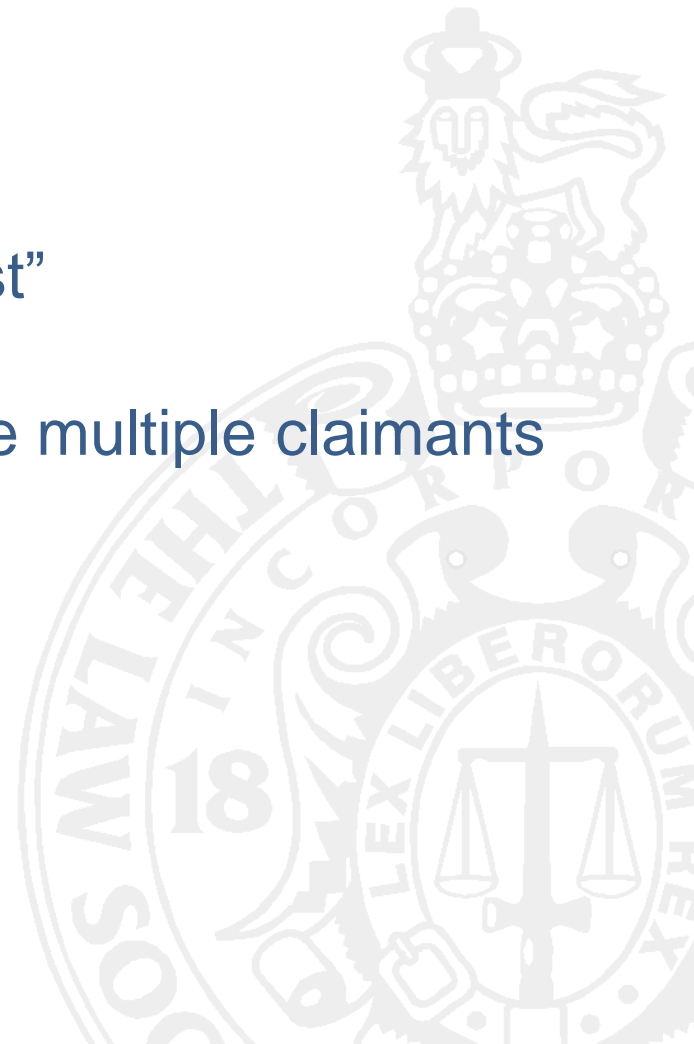


Amounts Paid Annually



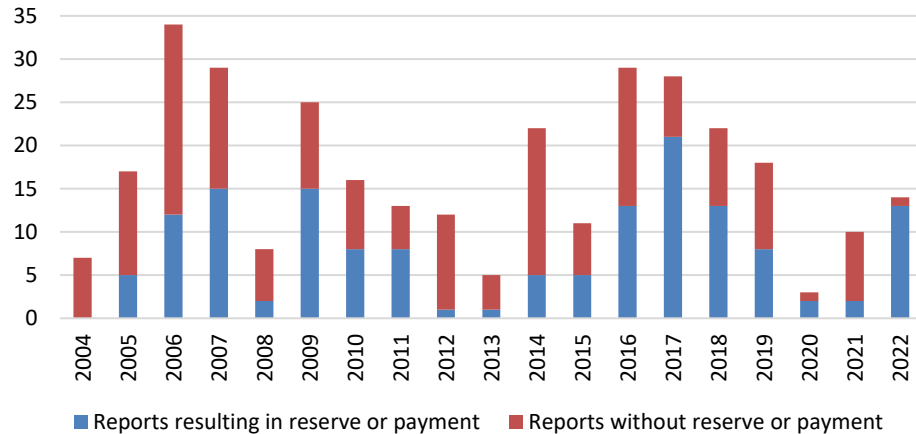
# Part B Coverage

- Since 2004
- For theft by lawyers of funds “in trust”
- \$300,000 limit per claimant – can be multiple claimants in an event
- Happy Claimants
- No deductible

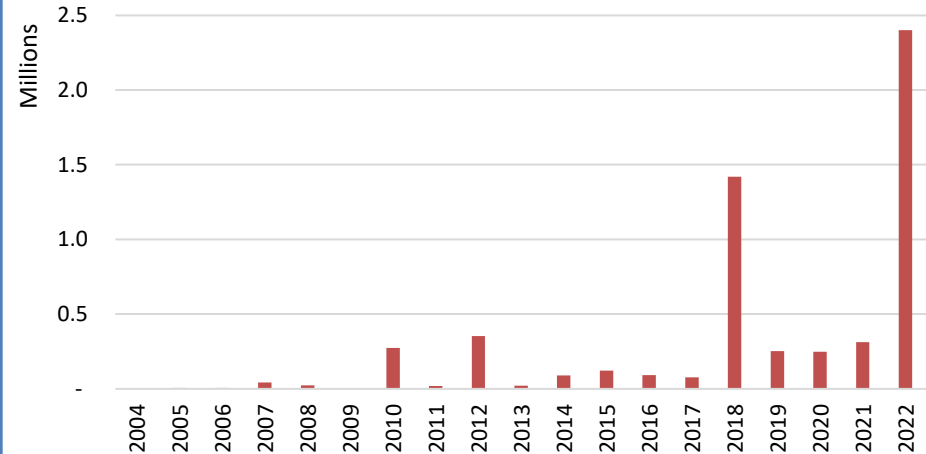


# Part B Reports 2004 – 2022

Number of Reports

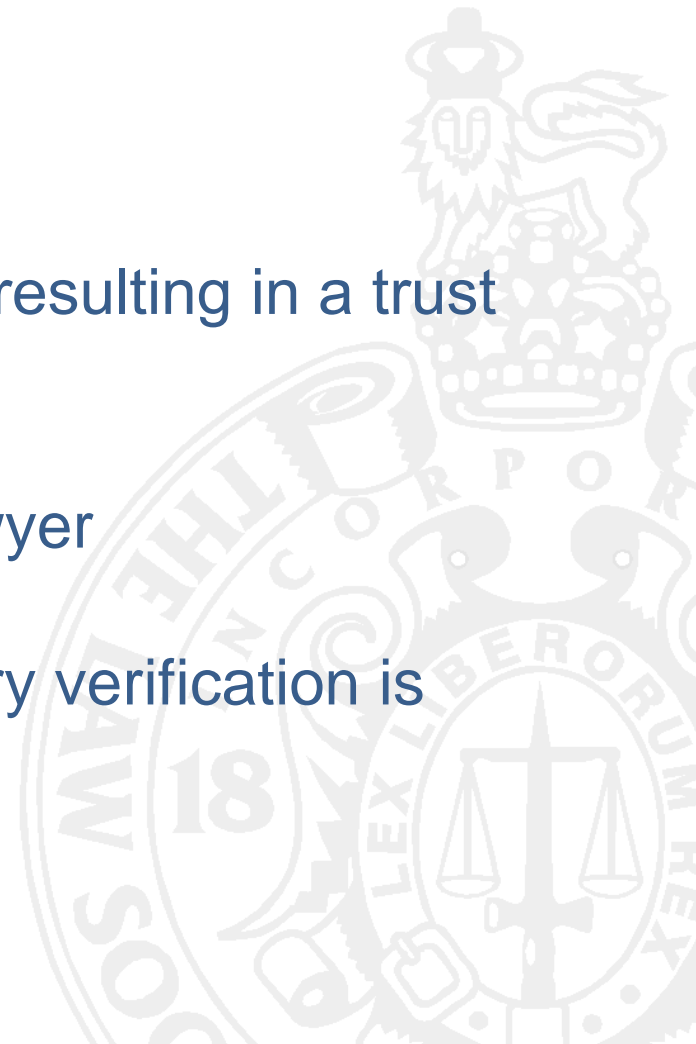


Amounts Paid Annually



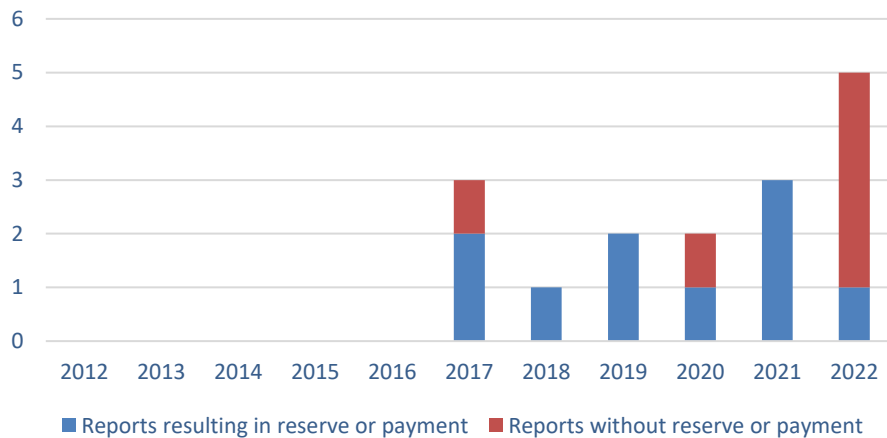
# Part C Coverage

- Since 2012
- Covers “social engineering” frauds resulting in a trust account shortage
- \$500,000 annual aggregate per lawyer
- 35% deductible, or 15% if secondary verification is made

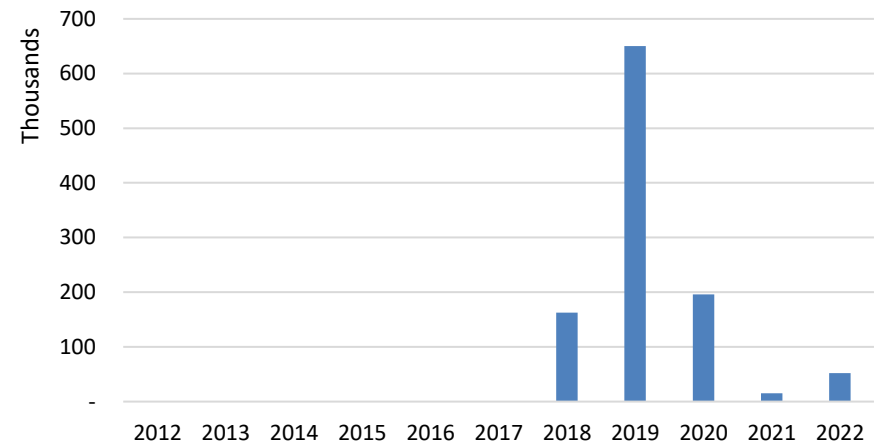


# Part C Reports 2012 – 2022

Number of Reports



Amounts Paid Annually



# What do we do in litigious times?

- Respond
- Repair
- Resolve



# RESPOND



# “Cyber” Insurance Program

- Started 2021, 1<sup>st</sup> in Canada
- Insured by Coalition, Inc.
- Swiss Re backed
- No application form
- 3,500 firms, 10,000 lawyers



# Coverages

- **Network and Information Security Liability**
- Regulatory Defense
- PCI Fines
- **Funds Transfer Liability**
- Multimedia Content Liability
- Breach Response Services
- Breach Response Costs
- Crisis Management & Public Relations
- **Ransomware/Extortion**
- Business Interruption
- Proof of Loss Costs
- Digital Asset Restoration
- Bricking
- Reputational Harm
- Court Attendance
- Criminal Award
- Service Fraud
- Phishing
- Invoice Manipulation

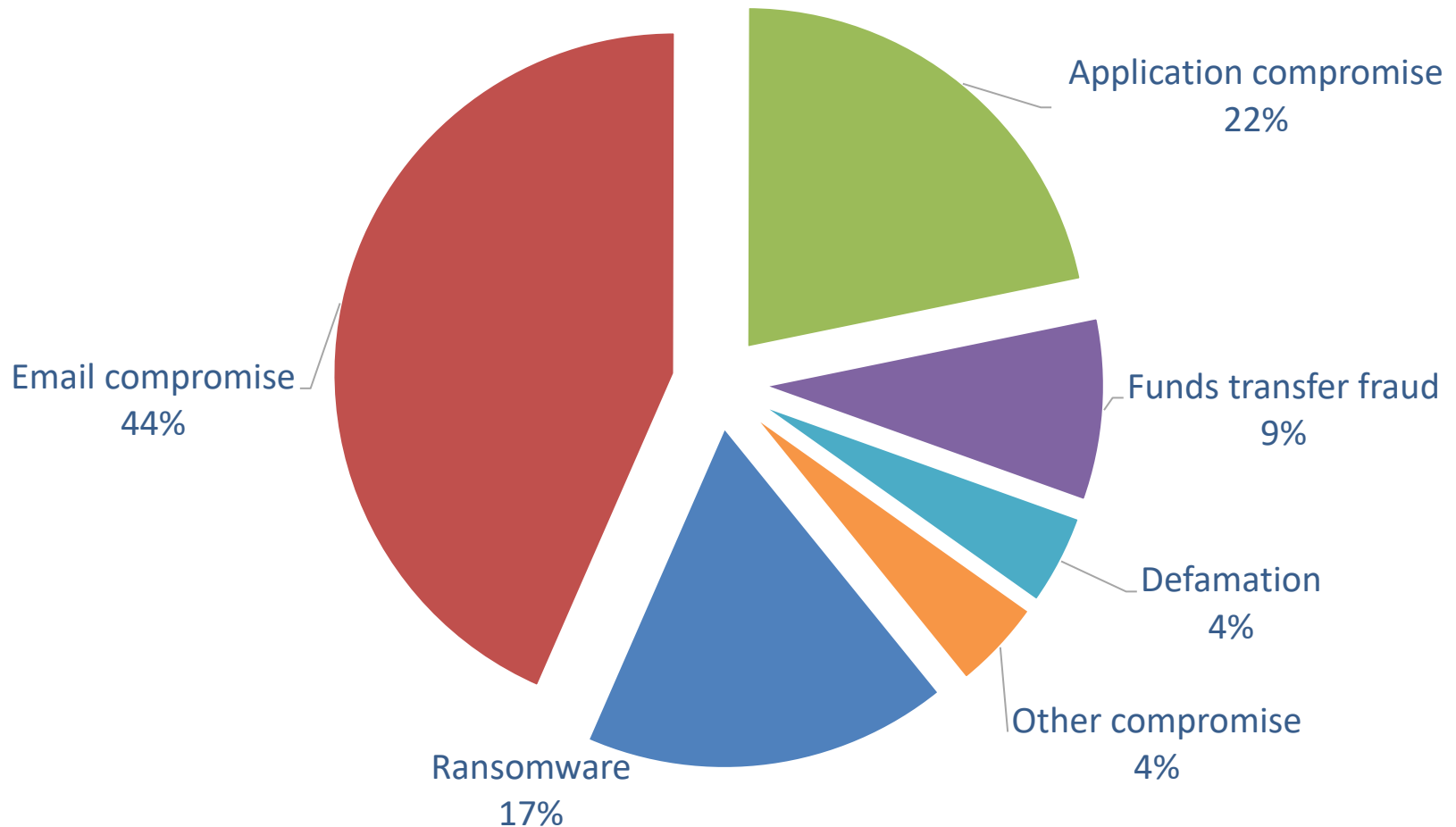


# “Cyber” Insurance Program

- Cyber-crime prevention is key
- Proactive approach to security and risk
  - MFA
  - Back-up data
  - DMARC / SPF
  - Strong passwords
  - Update with security patches
- Over \$1m paid on 23 claims since inception
- 51 claims in 2021; 37 claims in 2022

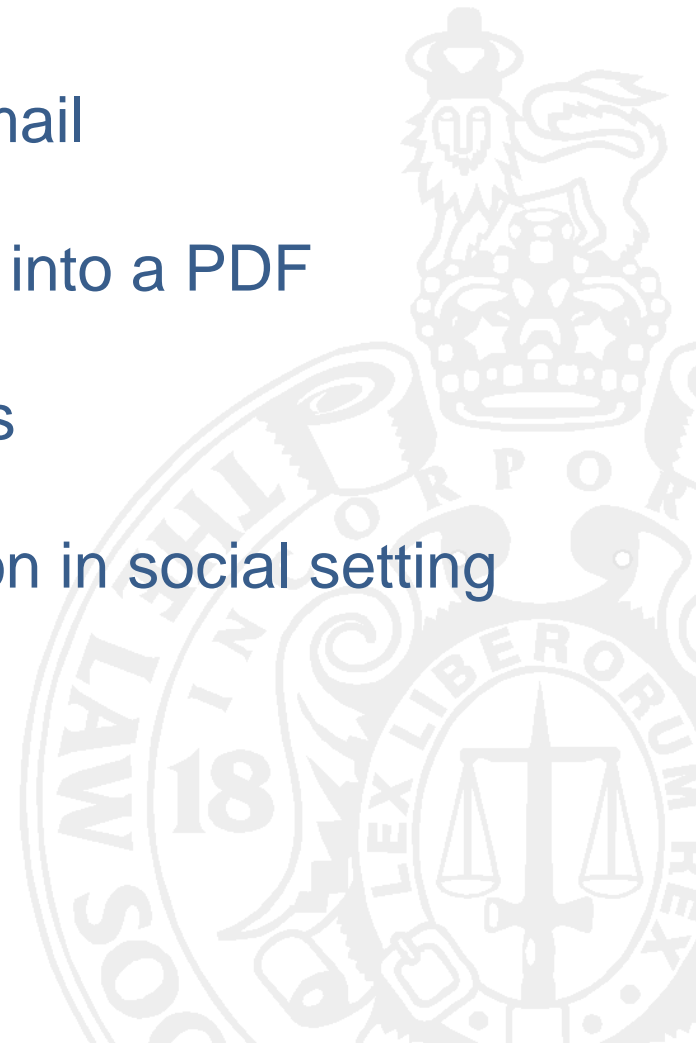


# Number of “cyber” claims by type

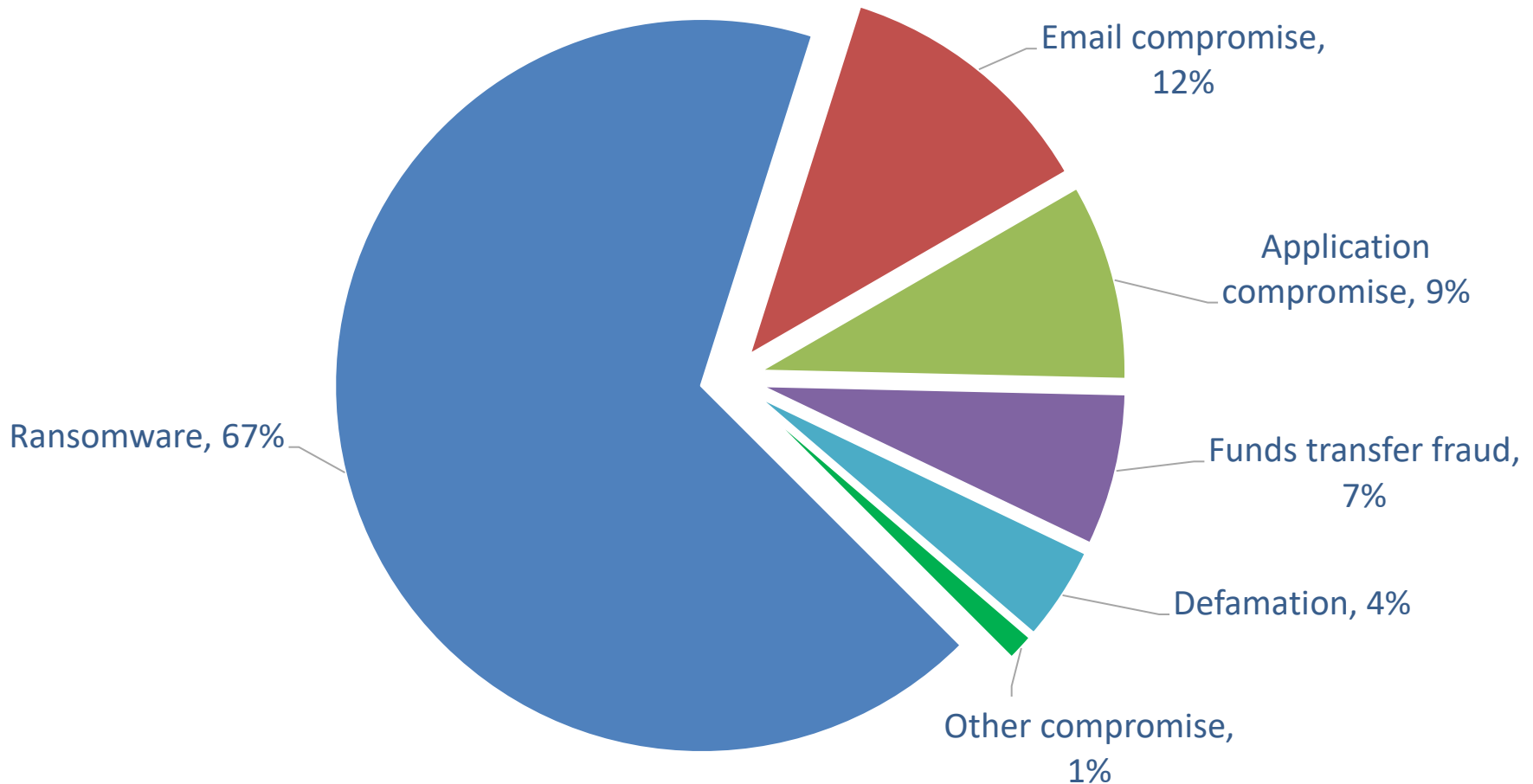


# Privacy Breach: examples

- Attaching wrong document to an email
- Scanning more than one document into a PDF
- Loss of USB sticks, phones, laptops
- Over-sharing confidential information in social setting
- Sending emails to wrong recipient (autofill / autocomplete)



# Insured costs of “cyber” claims by type



# Ransomware:

17% of claims  
almost 70% of losses



# Ransomware: claims

5 ransomware attacks reported to Coalition. All 5 firms were completely locked out:

- 😞 **3 firms – no back-up**; only recourse was to pay the criminals for an encryption key
- Coalition provided IT support, legal advice, and expert ransom negotiators
- Lawyer and client stress was massive while unable to carry on business
- > \$150k paid on each claim
- 😊 **2 firms – full weekly back-ups** – data restored in 4 days
- < \$20k paid on each claim

# Fraudulent Funds Transfer



# Fraudulent email: from another lawyer

- 2 law firms negotiating
- Lawyer A represents beneficiary, Lawyer B represents an estate
- Lawyers were discussing dispersal of funds by email
- Lawyer A's email domain is spoofed
- Criminal gives Lawyer B payment and account instructions for beneficiary by email
- Lawyer B transfers \$180k to criminal

# REPAIR



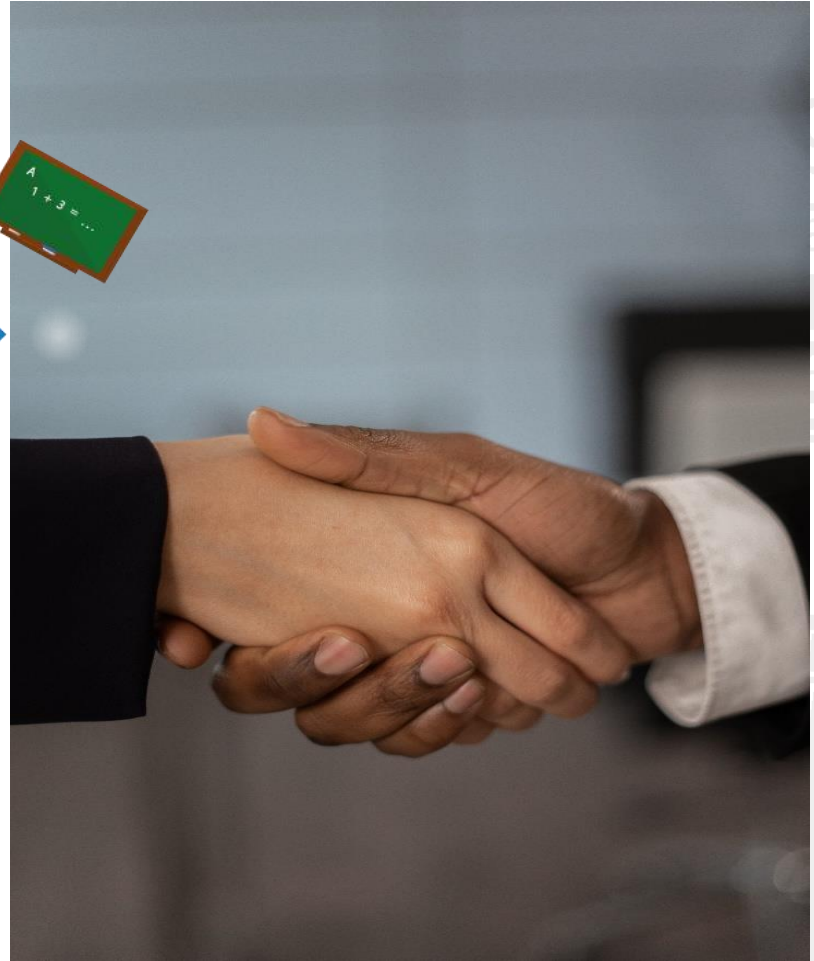
# Repairs: 23% of all reports



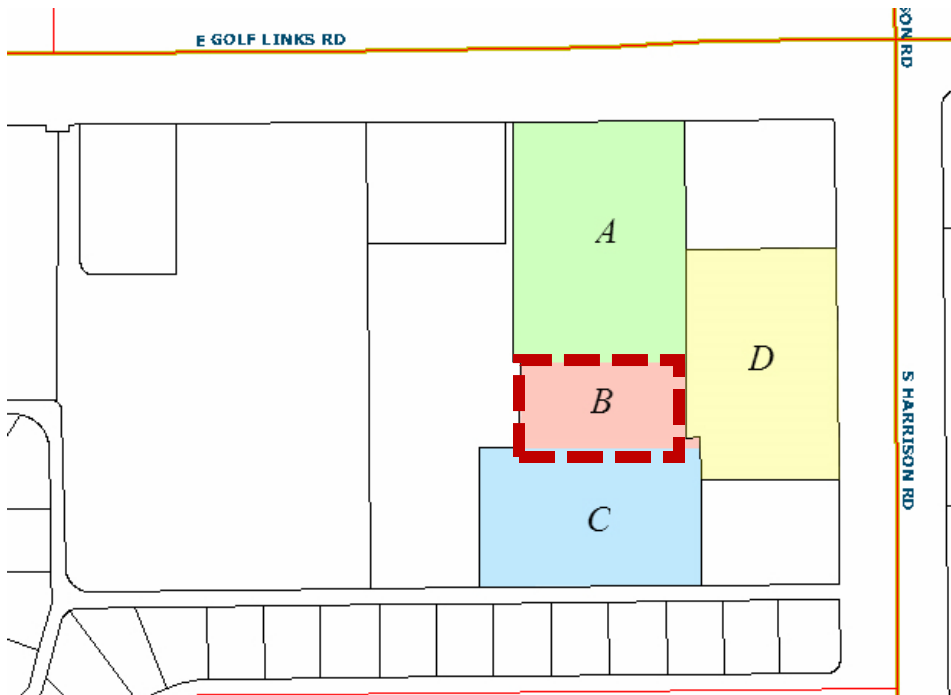
\$4,000,000

“A sincere thanks to everyone at LIF, [Firm A] and [Firm B].  
Great work. An unexpected and impressive model of  
conflict resolution.”



[illegible]

# Settle: 9% of all claims





Thank you!