



By Carol J. Bernick
PLF Chief
Executive Officer

2014 brought change at the PLF with Ira Zarov's retirement and my appointment as CEO, effective October 1, 2014. I am excited to join such a strong organization that has served Oregon lawyers so well for almost 40 years. Ira left the Fund in a strong financial position.

The 2015 assessment for the PLF Primary Plan remained unchanged at \$3,500 for the fifth consecutive year. Despite some significant claims, 2014 marked the Fund's third consecutive year with a strong financial performance. The net gain of \$1.66 million was a drop from the 2013 net gain, due largely to a decrease in investment income and higher claim costs. Nonetheless, the PLF moved closer to its goal of reaching a reserve that would allow the PLF Board of Directors to stabilize the assessment in the event of unexpected poor claim results. Total Fund equity is now approximately \$11 million.

In 2014, the PLF had 911 new claims, just slightly higher than the previous year. The projected claim count for 2015 is currently 905. The PLF has two actuarial reports prepared each year. Those reports are used to set the average cost of claims received in the applicable year. For claims filed in the first half of 2015, the actuaries kept the projected claim cost at \$21,000 (\$9,500 for indemnity and \$11,500 for de-

fense). Defense costs have surpassed indemnity for the last two years, in part because the PLF pays only expense and no indemnity for 42% of our claims. In summary, 2014 saw results that were better than expected, primarily because of fewer claims filed and strong investment returns.

THE 2015 PRIMARY PROGRAM ASSESSMENT

As in other years, four major objectives were considered in the process of setting the 2015 assessment. Those objectives are (1) to provide

continued on page 6

PLF Statistics

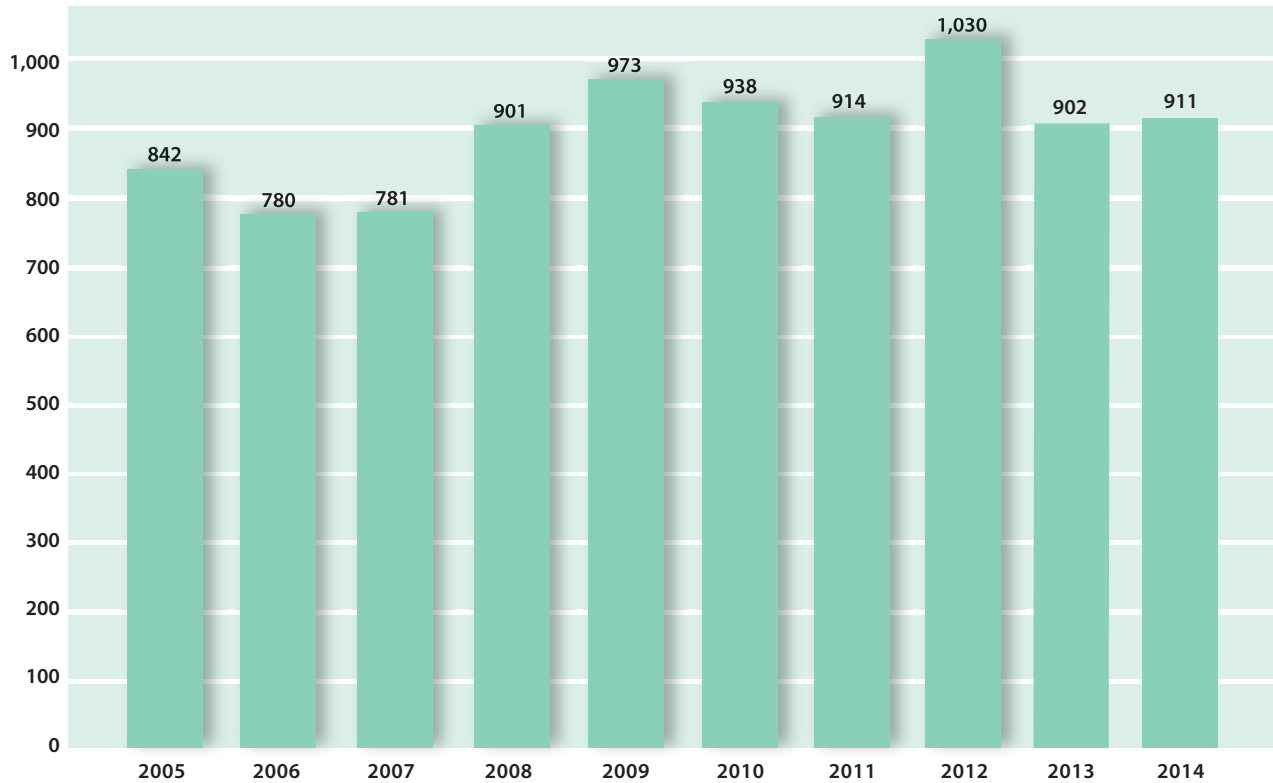
2000 - 2015

	Assessments	Claims
2000	\$1,800	798
2001	\$1,800	775
2002	\$2,200	816
2003	\$2,600	815
2004	\$2,600	923
2005	\$3,000	842
2006	\$3,000	780
2007	\$3,200	781
2008	\$3,200	901
2009	\$3,200	973
2010	\$3,200	938
2011	\$3,500	914
2012	\$3,500	1,030
2013	\$3,500	902
2014	\$3,500	911
2015	\$3,500	905*

* Extrapolated

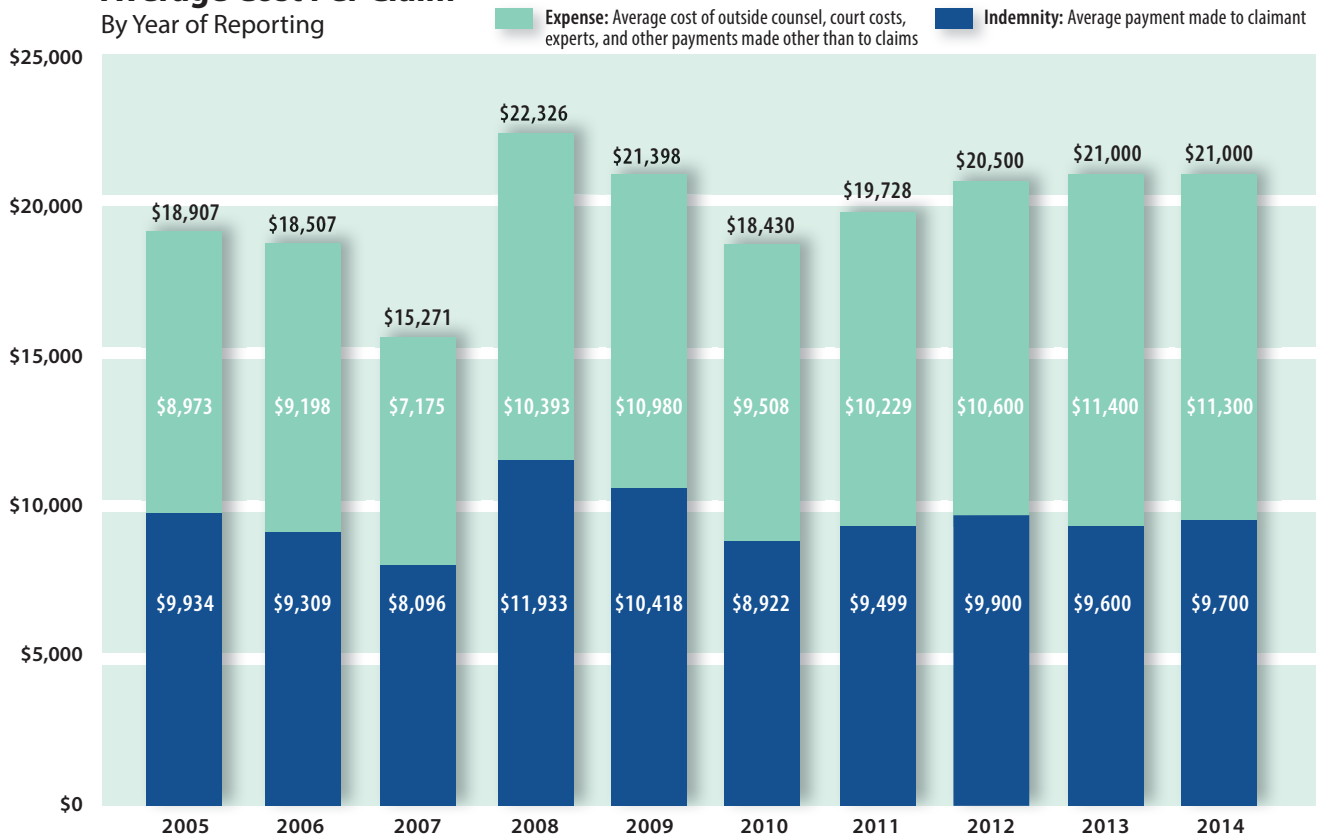
Number of Opened Claims

By Calendar Year 2005 – 2014



Average Cost Per Claim

By Year of Reporting



Summary Financial Statements (Unaudited)

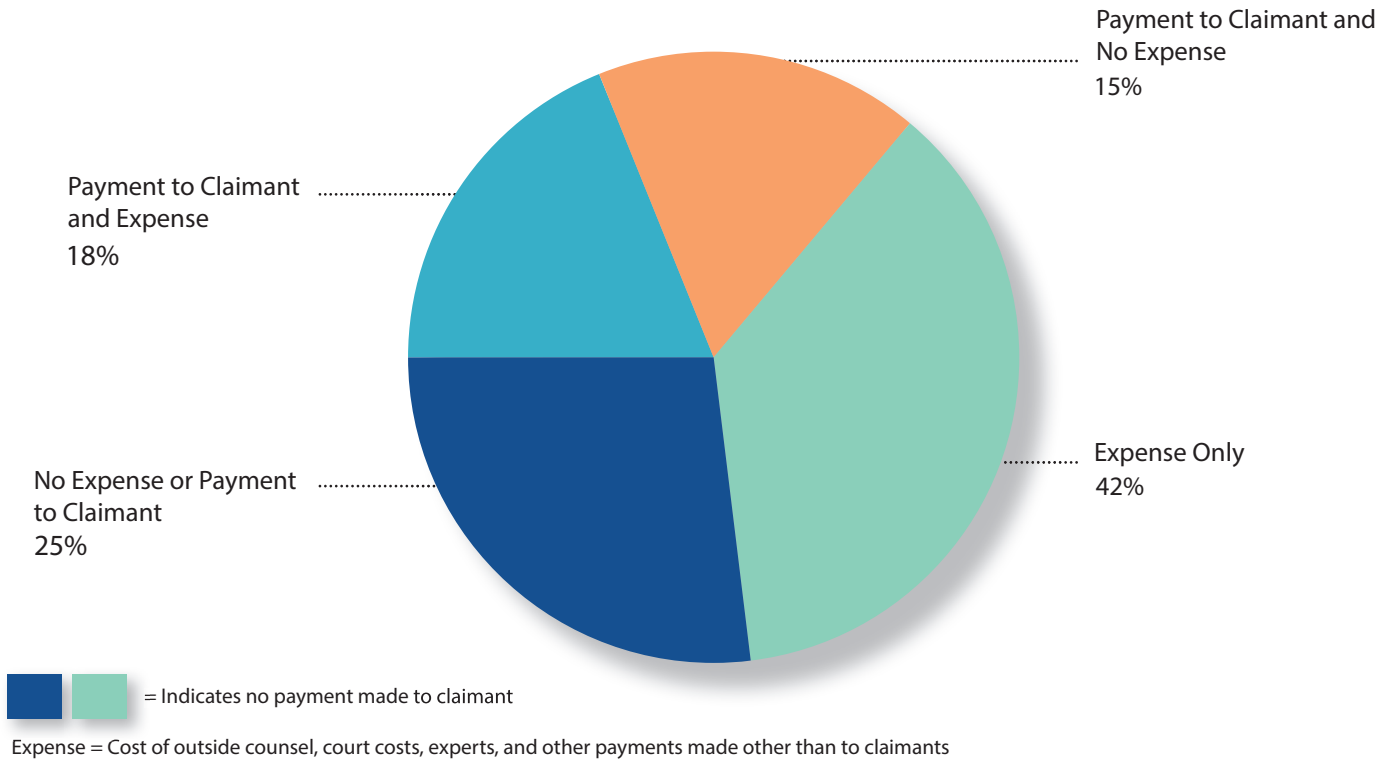
(Primary and Excess Programs Combined)

	<u>12/31/2014</u>	<u>12/31/2013</u>
ASSETS		
Cash and Investments at Market	\$55,688,986	\$48,030,470
Other Assets	911,987	<u>2,847,254</u>
Capital Assets	<u>852,010</u>	
TOTAL ASSETS	<u>\$57,452,983</u>	<u>\$50,877,724</u>
LIABILITIES AND FUND EQUITY		
Estimated Liabilities for Claim		
Settlements and Defense Costs	\$35,200,000	\$31,300,000
Deferred Revenues	10,580,097	9,794,480
Other Liabilities	743,914	545,025
Fund Equity	<u>10,928,972</u>	<u>9,238,219</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$57,452,983</u>	<u>\$50,877,724</u>
For the Year Ending December 31		
	<u>2014</u>	<u>2013</u>
REVENUE		
Assessments	\$24,668,300	\$25,042,533
Investments and Other Income	<u>3,807,139</u>	<u>5,883,776</u>
TOTAL REVENUE	<u>\$28,475,439</u>	<u>\$30,926,309</u>
EXPENSE		
Administrative	\$7,960,204	\$7,613,241
Provision for Settlements	9,844,149	8,492,852
Provision for Defense Costs	<u>9,012,402</u>	<u>9,599,196</u>
TOTAL EXPENSE	<u>\$26,816,755</u>	<u>\$25,705,289</u>
NET INCOME	<u>\$1,658,684</u>	<u>\$5,221,020</u>

These statements have been adjusted to remove prepaid assessments (e.g., payments of the 2015 assessment received in December of 2014). A complete copy of the December 31, 2014, audit report is available upon request.

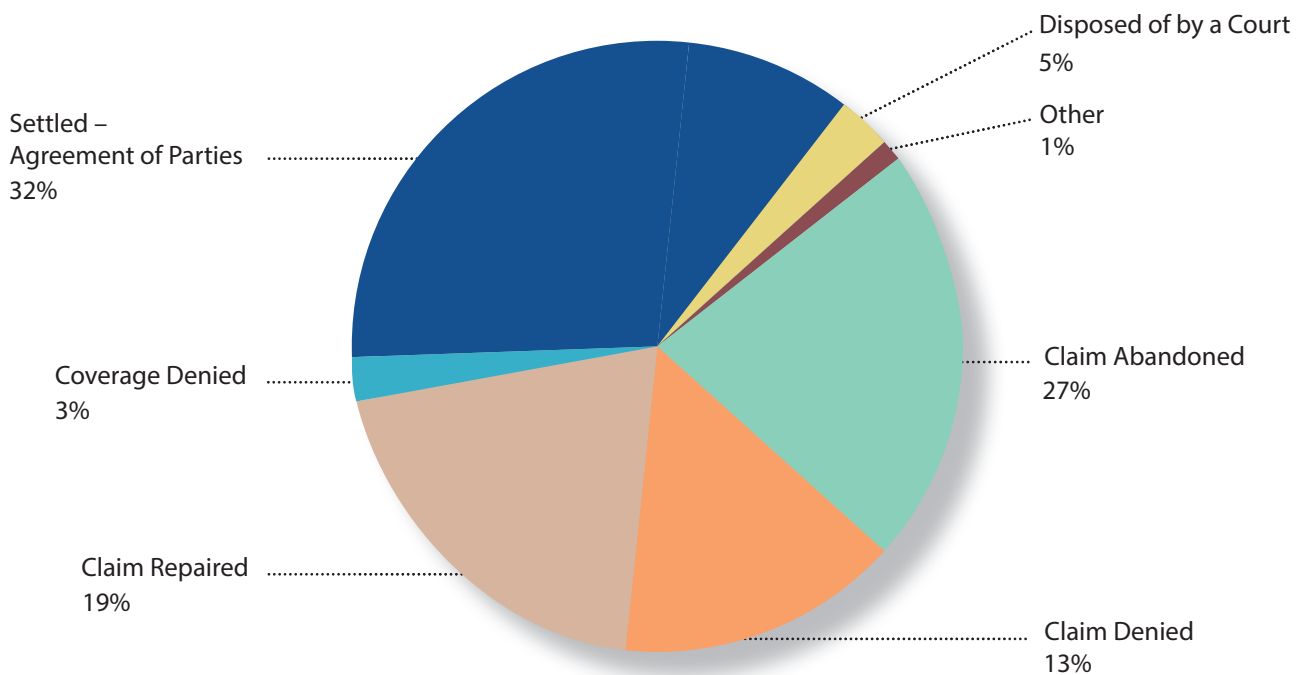
Closed Claims

January 1, 2005 – December 31, 2014



Disposition of Closed Claims

January 1, 2005 – December 31, 2014



Cost of Claims by Area of Law

January 1, 2005, through December 31, 2014

AREA OF LAW	PERCENT INDEMNITY PAID	INDEMNITY PAID	PERCENT EXPENSES PAID	EXPENSES PAID	TOTAL PAID
Personal Injury	20%	\$14,132,815	12%	\$8,074,061	\$22,206,876
Business Transactions / Commercial Law	12%	\$8,238,791	15%	\$9,626,337	\$17,865,128
Real Estate	15%	\$10,782,377	14%	\$9,017,694	\$19,800,071
Estate Planning & Estate Tax	12%	\$8,850,724	10%	\$6,328,198	\$15,178,922
Bankruptcy & Debtor-Creditor	8%	\$5,888,410	10%	\$6,309,614	\$12,198,024
Domestic Relations / Family Law	10%	\$7,254,892	10%	\$6,314,957	\$13,569,849
Workers' Compensation / Admiralty	3%	\$2,020,248	2%	\$1,033,354	\$3,053,602
Securities	2%	\$1,301,008	4%	\$2,505,631	\$3,806,639
Criminal	2%	\$1,205,919	3%	\$1,814,072	\$3,019,991
Tax	1%	\$660,409	2%	\$1,375,319	\$2,035,728
Other	15%	\$10,676,626	18%	\$11,681,156	\$22,357,782
	100%	\$71,012,219	100%	\$64,080,393	\$135,092,612

Frequency of Claims by Area of Law

January 1, 2005, through December 31, 2014

AREA OF LAW	PERCENT OF CLAIMS	NUMBER OF CLAIMS
Personal Injury	16%	1,293
Domestic Relations / Family Law	16%	1,372
Bankruptcy & Debtor-Creditor	13%	1,074
Real Estate	10%	872
Estate Planning & Estate Tax	10%	852
Business Transactions / Commercial Law	8%	624
Criminal	7%	551
Workers' Compensation / Admiralty	2%	187
Tax	1%	65
Securities	1%	47
Other	16%	1,381
	100%	8,318

continued from page 1

sufficient income to meet the costs of 2015 claims; (2) to provide sufficient income to fully fund the cost of older pending claims; (3) to provide stability to the assessment for as long as possible; and (4) to move the PLF toward the goal of providing a reserve to stabilize future assessments.

As the process of determining the 2016 assessment proceeds, the PLF Board's analysis will benefit from the 2013 and 2014 financial results and a projected claim count that is lower than predicted. These developments are positive, and the PLF is optimistic that, barring unforeseen developments, the assessment will not be increased. The 2016 assessment will be determined midyear 2015.

HOW IS THE PLF DOING WITH CLAIMS HANDLING?

The PLF closed 947 claims in 2014. When a claim is closed, the PLF sends the covered party a claims-handling evaluation form. The claims-handling evaluation form asks whether covered parties were "very satisfied," "satisfied," or "not satisfied." In 2014, the PLF received 370 responses (39%). The responses gave high ratings to both claims attorneys and defense counsel.

The performance of claims attorneys was particularly noteworthy, with 92.6% of respondents stating that they were "very satisfied" with how their claim was handled, 6.8% stating that they were "satisfied," and just 0.5% "not satisfied." In other words, 99.4% of the respondents were "very satisfied" or "satisfied" with the PLF claims attorney's handling of the claim, a remarkable accomplishment.

Covered parties' satisfaction with defense counsel was also very high. Among the 221 covered parties who responded to the questionnaire about defense counsel, 89.6% were "very satisfied," 9.5% were "satisfied," and 1% were "not satisfied." (The fewer responses regarding defense counsel reflect the fact that many cases are handled by the PLF claims attorneys without being assigned to defense counsel.)

The combined responses for claims attorneys and defense counsel totaled 89.7% "very satisfied" and 9.2% "satisfied" – thus 99% either "very satisfied" or "satisfied."

WHAT IS THE PLF DOING IN THE AREAS OF PERSONAL AND PRACTICE MANAGEMENT ASSISTANCE?

The PLF continues to provide free and confidential personal and practice management assistance to Oregon lawyers. These services include legal education, on-site practice management assistance (through the PLF's Practice Management Advisor Program), and personal assistance (through the Oregon Attorney Assistance Program).

Personal and practice management assistance seminars in 2014 included programs on practice management software, malpractice traps involving debtor/creditor issues in real estate and business cases, immigration malpractice traps for criminal defense attorneys, eCourt, recognizing domestic violence, mindfulness, and career workshops. In addition, the PLF continues to offer free audio and video programs that are available as CDs, DVDs, or by downloading or streaming from our website (currently 87 programs available), publications (*In Brief* and *In Sight*), over 312 practice aids, and the following handbooks: *Planning Ahead: A Guide to Protecting Your Clients' Interests in the Event of Your Disability or Death* (2014); *A Guide to Setting Up and Running Your Law Office* (2014); *A Guide to Setting Up and Using Your Lawyer Trust Account* (2014); and *Oregon Statutory Time Limitations* (2014). Our practice aids and handbooks are all available free of charge. You can download them at www.osbplf.org, or call the Professional Liability Fund at 503-639-6911 or 800-452-1639.

During 2014, the PLF presented video replays of the following programs: Malpractice Traps Involving Debtor/Creditor Issues in Real Estate and Business Cases; Contract Attorneys: Managing Expectations and Getting Paid; The Ethics of Practice Management and General Practice Tips; Recognizing and Representing Clients With Mental Health Impairments; Health Insurance Today, at 65, and in Retirement; Working Smarter and Avoiding Risks in the Digital World; The Business of Law: Banishing Your Blind Spot; Avoiding Malpractice in Family Law; Domestic Violence: Threat Assessment, Managing Risks and Protecting Your Clients; What Criminal Defense Attorneys Should Know

continued on page 7

When Representing Immigrants – and Other Malpractice Traps; and Survival Tips for Practicing in eCourt and Organizing Your Email. These video replays were presented in Bend, Eugene, Medford, Newport, Salem, and Vale, Oregon.

Practice Management Advisor Program. Our practice management advisors (PMAs), Beverly Michaelis, Sheila Blackford, Hong Dao, and Jennifer Meisberger, answer practice management questions and provide information about effective systems for conflicts of interest, mail handling, billing, trust accounting, general accounting, time management, client relations, file management, and software. In a recent survey about our PMAs, 100% of those who responded said they would recommend the PLF’s PMA services to others. In addition, 100% of the people who returned surveys were either “very satisfied” or “satisfied” in the following survey categories: (1) reaching a PMA by telephone;

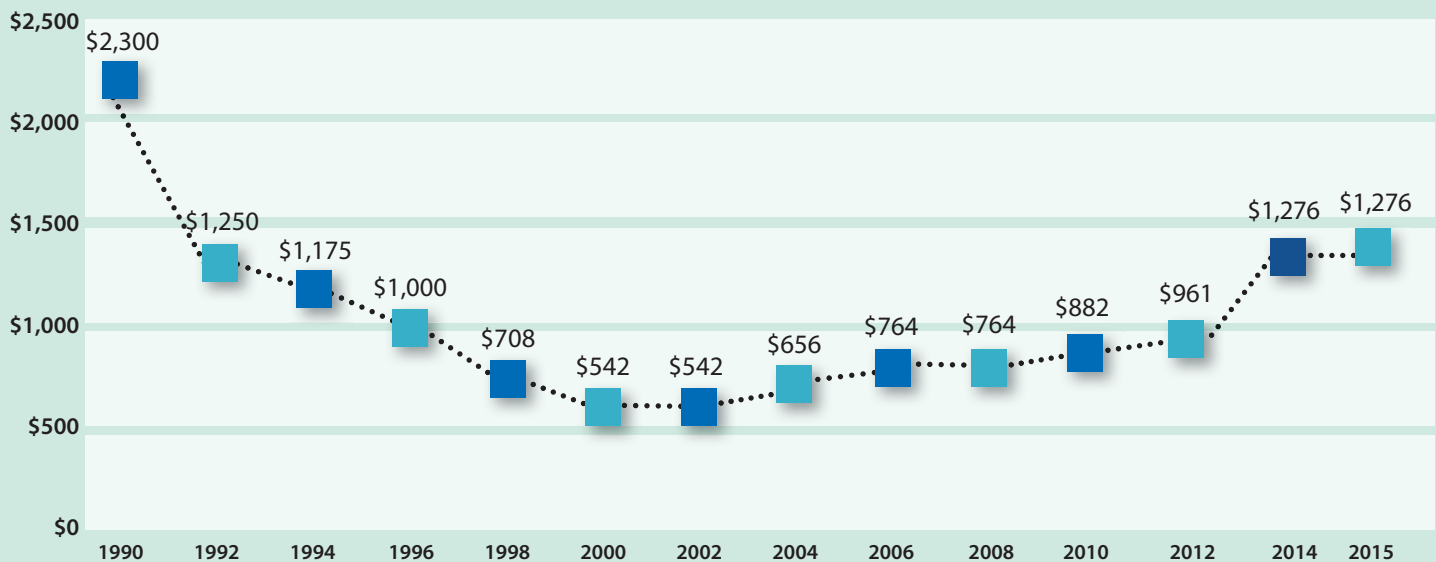
(2) receiving a prompt callback; (3) the PMA’s ability to explain information clearly; (4) how the lawyer was treated by the PMA (patience, courtesy, etc.); (5) follow-up; and (6) overall level of satisfaction with service. In 2014, the PMAs presented seminars all over the state on practice management. In addition to these presentations, the PMAs also provide in-house CLEs for law firms.

Oregon Attorney Assistance Program. The Oregon Attorney Assistance Program (OAAP) attorney counselors, Shari R. Gregory, Mike Long, Douglas Querin, and Kyra Hazilla, provide assistance with alcohol and chemical dependency; burnout; career change and satisfaction; depression, anxiety, and other mental health issues; stress management; and time management. In 2014, the OAAP sponsored addiction support groups, lawyers-in-transition meetings, career workshops, a depression support group,

continued on page 8

Cost of Excess Coverage – Standard Rates

By Calendar Year 1990 – 2015



Figures are the cost per attorney of \$700,000 PLF excess coverage above the primary limits. Figures for 1995 to 2014 do not include the continuity credit granted to firms for each year of continuous excess coverage with the PLF. Figures are not adjusted for inflation.

a grief support group, a support group for lawyers with ADD, a women's wellness retreat, a men's work/life balance support group, a support group for lawyers going through the disciplinary process, and a support group for help in managing strong emotions. In addition, the OAAP attorney counselors assisted over 641 lawyers with personal issues in 2014, including alcoholism, drug addiction, career satisfaction, retirement, and mental health issues.

CHANGES TO THE COVERAGE PLAN

There were no changes to the 2015 Coverage Plan. The PLF is planning to recommend changes to the Board of Governors later this year for the 2016 Coverage Plan.

CHANGES IN PLF BYLAWS AND POLICIES

Bylaws

There were no changes to the 2015 bylaws.

PLF Policy 3.250

Historically, the PLF provided a discount in the annual assessment to all lawyers in their first three years of practice. During the poor economy, the PLF eliminated the third-year discount. In 2014, the PLF reinstated the third-year discount. Lawyers who have practiced fewer than 12 months receive a 40% discount off the annual assessment. Lawyers who have practiced fewer than 36 months, but more than 12 months, receive a 20% discount.

EXCESS PROGRAM

Participation in the PLF Excess Program remains stable. For the 2014 plan year, 711 firms with a total of 2,140 attorneys purchased excess coverage from the PLF. No changes were made to the 2015 PLF Claims Made Plan, and only one change was made to the 2015 PLF Bylaws & Policies that govern the PLF Excess Program. PLF Policy 7.700(L)(1) was changed to remove the automatic application of the continuity credit to firms with negative claims experience or a different level of excess risk. The continuity credit discount of 2% per year (up to a 20% maximum credit) continues to build for all firms, but the credit can be lessened or removed for firms with

a heightened underwriting risk. Language in PLF Policy 7.700(N) was also changed to reflect this modification of the continuity credit.

The PLF Excess Program continues to be entirely re-insured and financially independent from the mandatory PLF Primary Coverage Program. The Excess Program continues to provide all covered firms with an endorsement for Cyber Liability and Data Breach coverage.

FORECAST FOR THE FUTURE

Many factors underlie the process of setting the annual PLF assessment – projections of income, operational costs, projections of the number of claims, defense expenses related to claims, and indemnity paid on claims. Of these, only operational costs – a small percentage of the total budget – can be predicted with certainty. At the current time, claim frequency is lower than predicted. Although it is too early to predict claim severity, our severity was up in 2014 and national trends are showing an increase in severity. The final decision on the 2016 assessment will be made in August 2015, after additional information about claim performance is available.

Over the past several years, a number of experienced PLF staff have retired from every department. There are no pending retirements at this time. Although we feel the loss of our valued colleagues, the PLF has embraced the changes as an opportunity to look anew at its practices. For instance, the PLF has made significant changes to our website with an eye toward making our vast resources more accessible to Oregon lawyers. We will continue our review throughout 2015 to ensure our service with respect to claims, practice management assistance, and OAAP assistance continues to meet our high expectations.

If you have questions or suggestions about the PLF, please contact me.

Carol J. Bernick
Professional Liability Fund
Chief Executive Officer
503-726-1468 or 800-452-1639
carolb@osbplf.org