HOW WE CALCULATE YOUR PREMIUM

Lawcover's premium pricing philosophy

When setting premiums, Lawcover carefully considers factors such as affordability, sustainability and breadth of cover to ensure that claims and the associated costs of defending them are adequately covered.

Unlike commercial insurers, our pricing is not driven by short term profit or shareholder demands.

Sustainable Premium Allocation

Lawcover's Sustainable Premium Allocation model is an ongoing process that uses surplus capital to offset premium costs each year. Simply put, if the financial performance of Lawcover's business is better than anticipated, the benefits go back to our law practice policyholders – not shareholders. This is a reflection of the mutual ethos that underpins our operations.

APRA Regulated Insurer

Since Lawcover is an APRA regulated insurer, we are required to maintain a prescribed minimum amount of capital. However, we go beyond this requirement and target a capital adequacy ratio that is in excess of the minimum amount. This proactive approach helps ease premium fluctuations for law practices, especially during uncertain or volatile global economic conditions. Ultimately, our goal is to ensure the ongoing sustainability of professional indemnity insurance for practices and their clients.

Risk Factors

Like most legal professional indemnity pricing in Australia and worldwide, Lawcover's premiums are based on numerous risk factors at both a macro and individual practice level. For example we recognise that there are 'universal' risks in the practice of law generally, and specifically within certain areas of legal practice; these are macro risks. However, we also recognise that individual law practices can mitigate those risks by undertaking Lawcover's risk management and claims prevention education, by securing the practice with formal ISO 9001 certification, and/or have a no-claims or low-claims history (details below). This ensures that there is a degree of equity in our pricing approach, whilst also recognising the individual risk profile and performance of each law practice.

Financial Hardship

Lawcover can provide premium and excess payment relief and/or practice support, for any law practice experiencing financial hardship. Contact us on 1800 650 748 to apply for assistance under our Financial Hardship Policy.

Steps In Calculating Your Premium

1. Law practice's gross fee income

A law practice's gross fee income (GFI) for the last financial year is generally used to calculate its base premium for the following year (an exception being newly established law practices).

The base premium is calculated by applying a percentage to the GFI declared for the previous year. This percentage is determined by Lawcover's statistics and actuarial models which reflect the claims experience of similar-sized law practices.

In 2024/25, the maximum percentage rate applicable is 4.29% for GFI estimates up to $200,000. While this percentage rate decreases for GFI amounts above $200,000, the premium amount increases to reflect the modelled risk/costs exposure amongst peer or similar sized law practices. This helps to minimise potential cross subsidy of premiums payable by law practices of different sizes.

If a law practice experiences year-to-year fluctuations in GFI, we employ a midpoint or average GFI for premium calculations. This guarantees that substantial increases or decreases in earnings year on year are accounted for in the premiums.

2. Choice of excess

Lawcover provides eligible law practices with the option to select a higher excess as opposed to the standard excess, in return for a premium reduction. The excesses are calculated based on a law practice's GFI from the previous financial year.

3. Claims loadings

A claims loading may be applied to the premium if the practice has experienced a number of claims within the last 5 years (each claim being over $50,000 in value). The application of a claims loading is dependent on several factors, including the extent of the law practice's liability for the claim as well as the year in which the claim was made or notified. Older claims will have a lesser impact on premiums.

4. No Claims Discounts

A 15% 'No Claims Discount' is applied when a law practice has no record of claims made for the last five full financial years on a consecutive basis. We recognise and reward law practices with positive risk performance.

5. Low Claims Discounts

A 7.5% 'Low Claims Discount' may be applied when a law practice has experienced claims, but has taken steps to mitigate the claim(s). This is subject to underwriting review.

6. Risk Management discounts

Lawcover offers a wide array of cost-effective risk management activities at a low, subsidised cost or at no cost. Participating in these programs not only assists in minimising risks but also makes premium discounts available to participants. Explore our range of risk management programs, workshops and the discounts they attract here.

7. ISO 9001 – Australian Standard Certification

A 12.5% premium discount is available as an entitlement when law practices are certified to this standard by 30 June annually. A copy of the current certificate must be provided. Further details are here.

8. Criminal Law discount

A 20% discount is available when law practices derive their GFI exclusively from practicing in the criminal law jurisdiction. Further details are here.

In total, the discounts Lawcover offers for claims and risk-based discounts can potentially reduce annual premiums by 30%.

Please Note:

- Certain law practices pay the minimum premium based on GFI ($0 to $5,124). The minimum premium for 2024/25 is $220.00 plus GST and stamp duty (if applicable)
- It is important to note that the premium discounts mentioned on this page are not applicable if a law practice pays the minimum premium
- If a law practice pays above the minimum premium, yet qualifies for a discount that would result in a premium of less than the minimum, the law practice will only be entitled to a discount which generates the minimum premium.