

WSR 21-13-059
RULES OF COURT
STATE SUPREME COURT
[June 4, 2021]

IN THE MATTER OF THE) ORDER
SUGGESTED AMENDMENT TO RPC) NO. 25700-A-1351
1.4—COMMUNICATION)

The Washington State Bar Association Board of Governors, having recommended the adoption of the suggested amendment to RPC 1.4—Communication, and the Court having considered the suggested amendment, and having determined that the suggested amendment will aid in the prompt and orderly administration of justice;

Now, therefore, it is hereby

ORDERED:

(a) That the suggested amendment as shown below is adopted.

(b) That pursuant to the emergency provisions of GR 9 (j)(1), the suggested amendment will be published in the Washington Reports and will become effective September 1, 2021.

DATED at Olympia, Washington this 4th day of June, 2021.

Gonzalez, C.J.
Gordon McCloud, J.
Madsen, J.
Stephens, J.
Yu, J.
Montoya-Lewis, J.
Whitener, J.

GR 9 COVER SHEET
Suggested Amendments to
RULES OF PROFESSIONAL CONDUCT
Rule 1.4

A. Proponent

Washington State Bar Association

B. Spokespersons

Kyle Sciuchetti, President

Washington State Bar Association

Staff Contact: Douglas J. Ende, Chief Disciplinary Counsel

Washington State Bar Association

C. Purpose

The proponent recommends adoption of suggested amendments to Rule 1.4 of the Rules of Professional Conduct (RPC) that would require disclosure of a lawyer's malpractice insurance status to clients and prospective clients if the lawyer's insurance does not meet minimum levels. It would also provide guidance on the application of the rule through the addition of six new comments.

I. OVERVIEW AND HISTORY

Washington lawyers are not required to have professional liability insurance coverage. They are, however, required to report to the Washington State Bar Association (WSBA), on a yearly basis, whether they have such coverage. Adopted by the Court in 2007, Rule 26 of the Admission and Practice Rules (APR) requires this information to be reported annually, which occurs as part of the WSBA's licensing process. All Washington lawyers are required to certify whether they are engaged in the private practice of law and, if so, whether or not they are

covered by, and intend to maintain, professional liability insurance. Recent WSBA reporting data shows that 14% of Washington lawyers in private practice consistently report being uninsured.

In September 2017, the WSBA Board of Governors (BOG) approved formation of the WSBA Mandatory Malpractice Insurance Task Force to evaluate the characteristics of uninsured lawyers and the consequences for clients when lawyers are uninsured, to examine regulatory systems that require professional liability insurance, and to gather information and comments from WSBA members and others. The Task Force was also charged with determining whether to recommend mandatory malpractice insurance for lawyers in Washington, and, if so, developing a model and a draft rule for consideration by the BOG.

In February 2019, the Task Force issued its final report, recommending mandatory professional liability insurance for lawyers engaged in the private practice of law and proposing an amendment to APR 26 that would establish a "free market" regulatory model.¹ The Task Force cited the regulatory objectives of assuring accessible civil remedies for clients harmed by lawyer mistakes and protection of the public as chief among the reasons for its recommendation.

¹ The full report and related Task Force materials are available at <https://www.wsba.org/insurance-task-force>.

At its May 17, 2019, meeting, after deliberation about the Task Force report and public discussion, the BOG voted against adoption of the "free market" mandatory malpractice model. The BOG reached its decision after consideration of more than 580 comments from members and others that expressed very real and compelling concerns regarding mandating insurance. Members overwhelmingly opposed mandatory malpractice insurance, expressing concerns regarding cost, the likely adverse impact on pro bono services provided by retiring, retired, and semi-retired members, un-insurability for some high-risk practitioners and practices, the inappropriate delegation of licensing prerogatives to the insurance industry, the risk of increasing insurance premiums for all lawyers through the creation of a captive market, and the financial burden such a mandate would impose upon individual lawyers and the viability of their practices, especially solo and small firm lawyers.²

² The full set of comments received by the Task Force and the BOG is available at <https://www.wsba.org/insurancetask-force>.

In the wake of the vote, however, several governors suggested that the BOG consider some other models evaluated by the Task Force that might serve to protect the public against the risk of errors committed by uninsured lawyers. Consequently, on January 21, 2020, WSBA Past-President Rajeev Majumdar convened the Ad Hoc Committee to Investigate Alternatives to Mandatory Malpractice Insurance to gather information and advise the BOG on potential viable alternatives to mandatory malpractice insurance.³ This Committee is chaired by WSBA President Kyle Sciuchetti and composed primarily of select members of the WSBA Committee on Professional Ethics and the former WSBA Mandatory Malpractice Insurance Task Force, as well as members of the BOG and a public member.

³ Just prior to the launch of this Committee, by order dated December 4, 2019, the Supreme Court published for public comment a proposed amendment to APR 26. (The extended deadline for public comment on the proposed amendment is September 30, 2020). The proponent of the proposed amendment is Equal Justice Washington, which is unaffiliated with the WSBA. The proposed amendment is identical to the "free market" model originally proposed by the Task Force. By letter dated January 26, 2020, WSBA expressed its opposition to proposed APR 26, https://www.courts.wa.gov/court_Rules/proposed/2019Dec/APR26/Rajeev%20Majumdar%20-%20APR%2026.pdf.

From March to September 2020, the Committee explored approaches to public protection other than mandating malpractice insurance, including enhanced malpractice insurance disclosure requirements and

proactive management based regulation. Ultimately, the Committee focused on a rule requiring disclosure of a lawyer's insurance status to clients when the lawyer is uninsured or underinsured. The WSBA proposes this suggested rule as a less burdensome and more practicable regulatory requirement that will responsibly protect the public without having an unreasonable impact on private practitioners.

II. SUGGESTED RULE

The proposed rule amendment includes both a new RPC 1.4(c) and proposed new Comments [8]-[13] to RPC 1.4. The language is drawn from enhanced disclosure rules in several other states, including California, Pennsylvania, New Hampshire, New Mexico, and South Dakota, with New Mexico's RPC 16-104(c) having the most influence.

Substance of the Proposal. Specifically, the suggested new RPC 1.4(c) would require a lawyer, before or at the time of commencing representation of a client, to provide notice to the client in writing if the lawyer is not covered by professional liability insurance at specified minimum levels. The lawyer would have to promptly obtain written informed consent from that client. In addition, a lawyer whose malpractice insurance policy lapses or is terminated must within 30 days either obtain a new policy or obtain written consent from existing clients.

The proposal was structured to address the major concerns underlying the BOG's decision not to require mandatory insurance. The cost to a lawyer of compliance with the proposed notice requirement, as compared to requiring acquisition of insurance, is insubstantial.

As reflected in proposed new Comment [8], a lawyer without a basic level of professional liability insurance might not pay for damages or losses a client incurs due to the lawyer's mistakes or negligence. Consequently, clients should have sufficient information about whether the lawyer maintains a minimum level of lawyer professional liability insurance so the client can intelligently determine whether they wish to engage, or continue to engage, that lawyer.

The new RPC 1.4(c) would require a lawyer to provide disclosure if the lawyer is without a specified level of lawyer professional liability insurance. The lawyer would have to promptly obtain every client's acknowledgement and informed consent to uninsured or underinsured representation. The proposed amendment includes disclosure and consent language which, if used, would serve as a "safe harbor" for compliance with the rule. A lawyer would have to maintain a record of disclosures and consents for at least six years.

Certain lawyers would be excluded from the insurance disclosure requirements, including judges, arbitrators and mediators, in-house lawyers for a single entity, and employees of governmental agencies.

A proposed comment clarifies that the notice to a client may be delayed in certain emergency situations.

Minimum levels of professional liability insurance. The proposal recommends that for the disclosure requirements under RPC 1.4(c), the minimum level of insurance should be at least \$100,000 per occurrence and \$300,000 in the aggregate ("\$100K/\$300K"), which are the mandatory malpractice insurance levels in Idaho and the lowest levels of insurance offered by ALPS, the WSBA-endorsed professional liability insurance provider. The Mandatory Malpractice Insurance Task Force found (at p. 17 of its report) that nationally 89.1% of malpractice claims are resolved for less than \$100,000 (including claims payments and expenses). According to ALPS, for all Washington claims where payments were made by ALPS, its average loss payment was \$119,856 and average loss expenses were about \$40,454.82. Given these statistics, the pro-

posed minimum level of insurance of \$100K/\$300K is reasonable and sufficient.

Lawyers covered by the rule. The proposal would apply to each "lawyer," defined as:

- lawyers with an active status with the WSBA;
- emeritus pro bono status lawyers; and
- lawyers permitted to engage in limited practice under APR 3(g), i.e., visiting lawyers.

The disclosure requirement would not apply to:

- judges, arbitrators, and mediators not otherwise engaged in the practice of law;
- in-house counsel for a single entity;
- government lawyers practicing in that capacity; and
- employee lawyers of nonprofit legal services organizations, or volunteer lawyers, where the nonprofit entity provides malpractice insurance coverage at the minimum levels.

D. Hearing:

A hearing is not requested.

E. Expedited Consideration:

Expedited consideration is not requested.

Reviser's note: The typographical error in the above section occurred in the copy filed by the agency and appears in the Register pursuant to the requirements of RCW 34.08.040.

Reviser's note: The unnecessary underscoring in the above section occurred in the copy filed by the agency and appears in the Register pursuant to the requirements of RCW 34.08.040.

RPC 1.4

COMMUNICATION

(a) - (b) [Unchanged.]

(c) A lawyer shall communicate to a client or prospective client a lack of minimum levels of lawyer professional liability insurance as required by the provisions of this Rule.

(1) A lawyer not covered by lawyer professional liability insurance in the amounts specified in paragraph (c)(4) shall, before or at the time of commencing representation of a client, notify the client in writing of the absence of such insurance coverage and promptly obtain the client's informed consent in writing. A lawyer who knows or reasonably should know that the lawyer's professional liability insurance policy has either lapsed or been terminated during the representation shall within 30 days either (i) obtain a new policy in the required amounts or (ii) provide notice in writing to the client and promptly obtain the client's informed consent in writing. If a lawyer does not obtain a new policy in the required amounts or provide notice to the client and obtain the client's informed consent in writing within 30 days of a lapse or termination, the lawyer shall withdraw from representation of the client

(2)(i) A notice to the client in substantially the following form satisfies the notice requirements of paragraph (c)(1):

Under Rule 1.4(c) of the Washington Rules of Professional Conduct, I must obtain your informed consent to provide legal representation, and ensure that you understand and acknowledge that [I][this Firm] [do not][does not][no longer] maintain[s] [any lawyer professional liability insurance (sometimes called malpractice insurance)] [lawyer professional liability insurance (sometimes called malpractice insurance)] of at least one hundred thousand dollars (\$100,000) per

occurrence, and three hundred thousand dollars (\$300,000) for all claims submitted during the policy period (typically 12 months). Because [I][we] do not carry this insurance coverage, it could be more difficult for you to recover an amount sufficient to compensate you for your loss or damages if [I am][we are] negligent.

Lawyer's Signature

(ii) A client consent and acknowledgment in substantially the following form satisfies the informed consent requirements of paragraph (c) (1):

I acknowledge and supply this written consent, required by Rule 1.4(c) of the Washington Rules of Professional Conduct, that [insert attorney or firm's name] [does not][no longer] maintain[s] [any lawyer professional liability insurance (sometimes called malpractice insurance)][lawyer professional liability insurance (sometimes called malpractice insurance)] with at least maximum coverage of \$100,000 for each claim, and at least \$300,000 for all claims submitted during the policy period (typically 12 months), and I consent to representation by [the lawyer][the firm].

Client's Signature

(3) A lawyer shall maintain a record of notices of disclosure to clients, and the signed consents and acknowledgments received from clients, for at least six (6) years after the representation is terminated.

(4) As used in this paragraph (c), "lawyer" means an active member of the Washington State Bar Association, and any other person authorized by the Washington State Supreme Court to engage in the practice of law, including emeritus pro bono status lawyers and lawyers permitted to engage in the limited practice of law in this state as provided in Admission and Practice Rule (APR) 3(g); however, as used in this paragraph (c). "lawyer" does not include, (i) a judge, arbitrator, or mediator not otherwise engaged in the practice of law; (ii) in-house counsel for a single entity; (iii) an employee of a governmental agency practicing law in that capacity; (iv) an employee of a nonprofit legal service organization, or a lawyer volunteering with such an organization, where the nonprofit legal service organization provides lawyer professional liability insurance coverage at the minimum levels required by this paragraph to that employee or volunteer pro bono lawyer. "Lawyer professional liability insurance" means a professional liability insurance policy that provides coverage for claims made against the lawyer that arise from an act, error, or omission in the lawyer's performance of legal services to a client, with limits of liability of at least one hundred thousand dollars (\$100,000) per occurrence, and three hundred thousand dollars (\$300,000) for all claims submitted during the policy period.

Comment

[1]-[7] [Unchanged.]

Additional Washington Comments (8-13)

Insurance Disclosure

[8] A lawyer without a basic level of professional liability insurance might not pay for damages or losses a client incurs that result from the lawyer's mistakes or negligence. Consequently, prospective clients and clients should have sufficient information about whether the lawyer maintains a minimum level of lawyer professional liability insurance so they can intelligently determine whether they wish to engage, or continue to engage, that lawyer. Paragraph (c) requires a lawyer to provide disclosure if the lawyer is without a level

of lawyer professional liability insurance specified in paragraph (c), and to obtain each client's acknowledgement and informed consent. Client consent should be obtained promptly—ordinarily within 10 days of the lawyer's providing disclosure. Certain lawyers are excluded from the disclosure requirements of Rule 1.4(c), including full-time judges, arbitrators and mediators, in-house lawyers for a single entity, and employees of governmental agencies. If a lawyer serving as a judge represents clients outside judicial duties, or an in-house lawyer or government employee represents other clients, such a judge or lawyer is subject to the requirements of Rule 1.4(c) regarding those representations.

[9] As used in paragraph (c), a lawyer who "maintains" or "is covered by" lawyer professional liability insurance is an insured lawyer under a lawyer professional liability insurance policy providing coverage regarding claims relating to legal services provided by that lawyer. The minimum limits of lawyer professional liability insurance specified by paragraph (c)(4) include any deductible or self-insured retention that must be paid by the lawyer or the lawyer's law firm for claim expenses and damages. Lawyer professional liability insurance, as defined in paragraph (c)(4), does not include an insurance policy with a deductible or self-insured retention that the lawyer knows or has reason to know cannot be paid by the lawyer or the firm if a loss occurs.

[10] Whether the disclosure and notice obligations of paragraph (c) apply to a Washington-licensed lawyer practicing in another jurisdiction is determined by the choice of law provisions of Rule 8.5(b).

[11] In addition to complying with paragraph (c), every active member of the bar must comply with the reporting requirements of Admission and Practice Rule (APR) 26, under which lawyers in the private practice of law are required to annually report their insurance coverage to the Washington State Bar Association.

[12] Withdrawal from a representation under paragraph (c)(1) is a circumstance where withdrawal is obligatory under Rule 1.16 (a)(1) because the representation would violate the Rules of Professional Conduct. The withdrawal shall be accomplished in conformity with the requirements of Rule 1.16 (c) and (d).

[13] In an emergency where the health, safety, or a financial interest of a person is threatened with imminent and irreparable harm, a lawyer not covered by lawyer professional liability insurance in the amounts specified in paragraph (c)(4) may take legal action on behalf of such a person even though the person cannot receive or evaluate the notice required by paragraph (c)(1) or there is insufficient time to provide it. A lawyer who represents a person in such an exigent situation shall provide the notice required by paragraph (c)(1) as soon as reasonably practicable.