

N E W S
New York State
Lawyers' Fund for Client Protection

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Lawyers' Fund Issues 35th Annual Report

(Albany, NY - 4/3/18) The New York Lawyers' Fund, a unique law client reimbursement program financed by New York's legal profession, has issued its Annual Report for 2017. This marks the 35th anniversary for the Lawyers' Fund.

The Lawyers' Fund for Client Protection, which is financed by New York State lawyers, reimburses law clients who suffer financial losses caused by the dishonest conduct of their attorney in the practice of law. The principal source of revenue for the Lawyers' Fund is a \$30 per year contribution from the attorney registration fee paid by New York State lawyers. **The Fund does not receive any money from taxpayers or from the State's Interest on Lawyer Account (IOLA) program.**

The legal profession is the only profession to provide such a protection program for its clients.

In 2017, the Lawyers' Fund granted 215 awards totaling \$10.6 million in reimbursement to eligible law clients. This is the second largest single-year payout in the Fund's 35-year history. Total awards since the inception of the Lawyers' Fund in 1982 now exceed \$208 million. The \$10.6 million in awards from 2017 reimbursed losses caused by 86 now suspended, disbarred or deceased lawyers. Of these 86 former lawyers, 47 appear for the first time in the Fund's awards.

The \$10.6 million in awards was primarily due to client losses caused by 10 former attorneys who were responsible for over \$7.7 million (73%) of the total \$10.6 million payout in 2017. There are over 318,000 registered attorneys in New York State.

Examples of law client losses covered by the Lawyers' Fund include the theft of real estate escrow funds, estate or trust assets, litigation settlement proceeds, money embezzled from law clients in investment transactions and unearned legal fees accepted by a lawyer who falsely promised to render legal services. The Fund does not have jurisdiction over claims alleging neglect or malpractice, or in disputes over legal fees.

In the 35-year history of the Lawyers' Fund, the most common loss reimbursed has been the theft of real property escrow funds. Since 1982, nearly 40% of all money reimbursed by the Fund has

involved realty escrow losses. In 2017, \$2.7 million (26%) of the \$10.6 million total paid out by the Fund resulted from real property escrow thefts.

The Lawyers' Fund is a special trust created by the State Legislature. The Fund is administered by a seven-member Board of Trustees appointed by the Judges of the New York State Court of Appeals, the State's highest court. The Board consists of five lawyers and two business and civic leaders. The Trustees serve as a public service without compensation.

The Lawyers' Fund is chaired by **Eric A. Seiff**, a charter Trustee with the Fund since 1981 who is of counsel to the Manhattan law firm of Storch Amini, P.C. The Fund's Vice-Chairman is **Patricia L. Gatling**, an attorney with the Manhattan law firm of Windels Marx Lane & Mittendorf. **Peter A. Bellacosa**, an attorney with the Manhattan law firm of Kirkland & Ellis serves as the Fund's Treasurer.

The Fund's other Trustees are **Anthony J. Baynes** of Williamsville, the founder and Chairman of the AJ Baynes Group of Buffalo; **Stuart M. Cohen** of Rensselaer, an attorney and sole practitioner who served for 14 years as the Clerk of the New York State Court of Appeals; **Charlotte G. Holstein** of Syracuse, a civic leader and the founder and former Executive Director of F.O.C.U.S. Greater Syracuse; and **Lisa L. Hutchinson**, an attorney in the Farmingdale, Nassau County, law firm of Guercio & Guercio.

The 35th Annual Report also highlights the achievements by the Lawyers' Fund since 1982 which include several client protection measures such as the Dishonored Check Reporting Rule, an insurance payee notification rule, the establishment of uniform standards for maintaining attorney escrow accounts and court rules governing escrow funds owed to missing law clients. With the assistance of the State Attorney General, the Lawyers' Fund has also recovered nearly \$21 million in restitution from dishonest attorneys involved in awards and civilly liable third parties since 1982.

The Fund's Annual Report for 2017 sets forth recommendations for changes in policy and court rules in order to protect legal consumers. The recommendations include:

- Expansion of the Dishonored Check Notice Reporting Rule to include Overdraft Notification so that banks will be required to provide notice to the Lawyers' Fund of any overdraft on an attorney trust, special or escrow account;

- Prohibit Overdraft Protection on Attorney Trust, Special or Escrow Accounts by amending the Rules of Professional Conduct.

The New York Lawyers' Fund is located at 119 Washington Avenue, Albany, New York 12210. Telephone: (518) 434-1935 / 800-442-3863. Website: www.nylawfund.org