

## Cover your assets

NEW YORK

**A**MERICANS who don't take out their frustrations with a gun tend to do so with a lawsuit. Doctors, lawyers, accountants and other professionals live in terror of their clients. Recent absurdities of the tort litigation system have included the parents of a teenager who had committed suicide suing the Catholic church because a priest allegedly gave their son poor advice, and a series of bankrupt borrowers suing their banks for lending them too much money. This year there will probably be 50,000 personal-injury lawsuits, twice as many as in



1975. The average medical malpractice award is now close to \$1m. Five years ago a medical general practitioner might have spent \$8,000 a year on an insurance policy that gave him cover for a claim up to \$1m. Now he needs cover for \$3m and the cost will be around \$50,000 a year. Medical specialists pay more.

Now clever lawyers have figured a way for nervous professionals to guard their wallets from other clever lawyers intent on raiding them: an "asset protection trust" (APT) in the Isle of Man, a British possession in the Irish sea. Manx law

gives unusually strong protection against litigators. The assets need not leave America. However, a straightforward APT means giving control of your assets to the trustees. A better, if more complicated, way is to combine an APT with an American "limited partnership" in which the trust has a 99% share while you retain a 1% share and effective control. You then carry on life as normal, except that most of your assets are beyond the reach of lawsuits.

APT partnerships were thought up by **Engel and Rudman**, a Denver-based law firm frustrated by its own high insurance premiums. The firm has already organised APTs for doctors, lawyers, stockbrokers, and accountants. It says a long queue is forming. The trust usually costs less than \$15,000 to set up and around \$2,000 a year to run.

No clients of Engel and Rudman have abandoned their insurance policies. All, however, have reduced their cover—usually by around a third. Mr Barry Engel says that the Isle of Man's liberal tax structure can be used to save more money, but he usually counsels against it, to avoid arousing the curiosity of the American taxman.

APTs are a vaccine for litigation sickness, not a cure. All applicants are screened by Engel and Rudman to see if there are any outstanding malpractice suits. The firm fears that if defendants appeared to be using an APT deliberately to evade justice, this would give the device a bad name. Other law firms may be less conscientious. Doctors and accountants are one thing; husbands on the brink of divorce or even drug barons close to capture are another.