

# LEGAL MANAGEMENT

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## 5 Change Strategies for Your Professional Liability Insurance

After payroll, rent and sometimes health insurance, the most expensive line item on your budget is probably professional liability insurance (AKA malpractice).



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It's a big, complex policy (that you hopefully don't use too often) that frustrates so many legal management professionals. The annual process is paperwork intensive, and the results from the broker are often confusing. When you combine the pressure and stress on you from the partners — since the policy is also personal protection for them — you have the perfect storm.

If I could give you the magic solution to lower your premiums and improve your coverage, you would do it in a legal manager minute, right? While there isn't an easy solution (is there ever?), here are five areas where you can implement change to bring about significant improvements in your professional liability insurance program:

### 1. DON'T BE LATE

While this sounds like commonsense daily advice, this is by far the most common error that many firms make every year. Your rough draft should be at your broker for comments 50 to 60 days before your expiration; it should be out to the insurance companies by 45 days before your expiration.

Your renewal strategy should be one that assumes your current insurer will no longer be around. Always have a plan B. Just like your law firm, insurance companies' appetites change over time. Deciding to shop until you receive or don't receive a good renewal quote is a bad idea — it puts you in a last-minute scramble spot.

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### 2. CHOOSE YOUR TEAM

Just like when people choose a lawyer to represent them, choose your broker carefully. Their expertise should make the application process easier. If they are conducting a true reverse auction for your business, you should receive the most competitive quotes for your firm (see below how to do that).

These are my three favorite questions to ask a potential broker:

- What firms like mine do you currently represent?
- What issues have they faced that you think I need to think about?
- What have you done to help them that you can bring to me?

### 3. PUT A SMILE ON THE FACE OF THE FIRM

Your professional liability application is the face of the firm. Today's insurance underwriters are usually not attorneys, so they will spend very little time reviewing each application. As a result, they look for red flags to eliminate potential insureds rather than seeking great new clients.

The common areas that underwriters do focus on are areas of practice, claims and clear lawyer counts (of counsels, joint ventures, etc.). You can count on underwriters checking out your firm website. Make sure that your application is in sync with your website and other advertisements on the web, particularly your areas of specialty. Lastly, never attach suit papers, and always type your forms.

In the claims area, give full information, currently valued loss runs and a good explanation of what happened and why it is unlikely to recur in your firm. Sometimes "better client selection" is your only option as a description of why it is unlikely to recur, but at least the message to potential insurance companies is that you are aware of the risks that new clients possess.

### 4. EXECUTIVE DECISION TIME

Insist that a senior partner is involved in two parts of the purchasing process. They must review the areas of practice grid and be part of the purchase decision meeting. Incorrect grid classifications can significantly increase your premiums and jeopardize the coverage in times of claims. Senior partner involvement at the end of the purchase process is critical; this policy is ultimately their personal asset protection plan.

### 5. POLICY SELECTION

So you've chosen a great broker, completed a great application and you now have options to review. Sometimes there is a clear best option, but there might be several good choices. Your broker can help point out the main differences, like limits, deductibles and insurance company financial ratings. It is equally important that you understand the fine print, including when your deductible applies and when it is waived, and how your defense costs can impact the dollar limit that will be left for payment in a claim situation.

So far, 2016 has started as a good year for law firms purchasing professional liability insurance. Premiums are flat to down, and there are many insurance companies competing aggressively for your business. It's the perfect time to implement these five strategies for change.

### ABOUT THE AUTHOR

**Uri Gutfreund** is the National Law Firm Practice Leader for Risk Strategies Company, a national top 25 insurance broker. He and his multidisciplinary team advise law firms on all types of insurance and benefits. Gutfreund is a frequent speaker at legal conferences, and a writer and blogger on insurance and risk management.

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