

# LEGAL MANAGEMENT

THE MAGAZINE OF THE ASSOCIATION OF LEGAL ADMINISTRATORS

## The Important Details You Can't Overlook

With so many details in each of your insurance programs, it's sometimes hard to know what's important and what's not. As insurance brokers, we negotiate and strategize hundreds of detailed points in the various insurance programs.



**URI GUTFREUND**

National Law Firm Practice Leader  
Risk Strategies Company

While we pride ourselves on being professional perfectionists on all coverages, it is important for us to make our clients focus on the important parts. These are the seven overlooked coverage items — “the big stuff” — that if not given the right attention can cause fatal damage to your firm. The following points outline the best ideas to focus on so that you can grow and run your busy operations.

### PROFESSIONAL LIABILITY INSURANCE LIMIT

It is easy to get lost in the minutiae of the application and the coverage analysis, but the most important decision is the amount of insurance that you select — your limit. This isn't an easy analysis, but it's one that you should conduct with your broker and core members of your management team. The rule of thumb is that you need to insure the “average” client exposure (transaction or litigation value).

### PROFESSIONAL LIABILITY INSURANCE EXCLUSIONS

It's easy to assume that all insurance policies are the same, but on professional liability coverage, many policies differ substantially from one another. As in all insurance policies, the exclusions change the policies to restrict coverage.

There are two major exclusions that we see buried in unsuspecting professional liability client policies. The first is one that excludes claims when it is related to a fee dispute. When broadly stated, this will completely exclude coverage in many claim instances if there is an accompanying fee dispute, which is very common.

---

*Many firms have kept their content limit the same for many years. In the event of a loss, this could be catastrophic.*

---

The second is an absolute exclusion for claims where you or relatives of a lawyer of your firm own even a tiny percentage of a client. When not specified differently, this exclusion could even include excluding claims in public companies if you own even a few shares of a public company.

### HEALTH INSURANCE

While this insurance requires a complex procurement process, some firms overlook one major element. Before you set up any plan, you must have your broker run a plan simulation to see how the benefits program would impact your user group. This includes provider disruption and cost implications. Employee demographics and available plan designs change frequently. What may have worked last year may look very differently this year. With this advance knowledge, you can make far better coverage decisions.

### **PARTNER BUY-OUT LIFE/DISABILITY INSURANCE**

Most partnership agreements address how a partner's shares are bought out in cases of death and certain disabilities. In order not to run into a major liquidity crunch, insurance should be purchased equal to the obligations in the partnership agreement.

### **PROPERTY AND CASUALTY LIMIT**

Buried in this mound of an insurance policy you'll find coverage to replace your contents, such as computers, equipment, etc. Many firms have kept their content limit the same for many years. In the event of a loss, this could be catastrophic. We see many firms forget to include the cost to rebuild the firm space, even though their lease clearly states that they are responsible for rebuilding in case of a fire that they cause.

### **EPLI (EMPLOYMENT PRACTICES LIABILITY INSURANCE)**

Many firms have bought this coverage over the years, but don't customize it to law firm needs. Law firms need policies that address these specific law firm EPLI exposures, such as failure to make partner, cover partners as employees, full prior acts, and cover third party coverage.

### **CYBER LIABILITY INSURANCE**

Every day there seems to be a news story about a cyberbreach. This has led many law firms to scramble to put a cyber liability insurance policy in to place — even if it's the wrong policy. Correct due diligence in finding a comprehensive policy is possible and prices for this coverage remain very low. Due to mass adoption of this coverage, the application process is also easier than ever.

No one likes to buy insurance. But even worse, everyone hates buying the wrong type of insurance and then having to explain why things are not covered. It's something that we all need to do to keep our firms protected from financial ruin.

### **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.

[Email](#)

[LinkedIn](#)



Get the **VIP** treatment  
from ALA's VIP Partners

[alanet.org/vip](http://alanet.org/vip)