

The Practice

The business of the bar

As with medical checkup, annual review of firm's insurance policies is necessary

Expert Opinion offers the insights of law-firm management specialists on a variety of topics related to the administration of a law office.



By **Stephanie A. Hood**

Chances are you visit your doctor every year for a checkup to head off any possible problems and risks to your health. This is an important part of your overall health and is a very transferrable

process to your law firm management, especially your business insurance policies.

It is very easy, in busy times, to continue to renew your policies year after year with the same coverage limits and with the same insurance carriers. Often, these policies are looked at only during the time of renewal for premium increase purposes without anyone delving deeper into coverage or policy form issues.

While cost savings are always a wise goal in business management, now more than ever it is not advisable to change your insurance carriers without fully understanding the policy coverage, exclusions and the service and claim responsiveness of the new insurance company. In the long run, the premium savings could cost you more.

A broker with understanding

Since no firm remains static, a comprehensive insurance risk analysis is an important task to

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complete periodically, preferably every one to two years. There is no magic time to complete this assessment, but do pick a time in the year that allows you enough time to act on any of the recommended changes before your renewals are due.

An insurance risk analysis should be undertaken by your insurance broker. The broker should gather all your business insurance policies (professional liability, crime, property, umbrella, workers' compensation, fiduciary etc.). He will be able to create a risk matrix, using each policy form to establish the coverage available and where there is duplicate coverage or an uncovered risk. Some firms choose to self-insure certain risks, such as employment practice, but it is important to make this a conscious and educated decision on the part of the firm.

For the risk analysis to be accurate your broker should have an in-depth understanding of your practice areas, geographic reach and the growth goals of your organization.

Additionally, make sure your broker has a solid understanding of what the insurance market trends are for the insurance coverage you need. This approach will allow for better negotiating power and no big surprises if premiums make a jump in a particular year.

Exposure can also come in the form of high deductibles, aggregate versus per claim deductibles and legal fees covered inside or outside of your policy limits. Again, knowing these amounts can be an important determinant of what the real cost of the insurance coverage is.

Once this analysis is complete, you will have the information necessary to develop a strategic plan for eliminating duplicate coverage, which will save you some premium dollars while "plugging the holes" in your existing coverage.

Sometimes these holes are present due to changes in practice areas, growth/contraction or changes in our outside environment, such as international exposure (whether through travel or offering legal services internationally). A relatively new coverage being offered in today's technological world is "cyber liability."

Planning for a business disaster

The second step to good insurance management is evaluating your internal loss control practices. Loss control analysis of your legal and business practices can help with better insurance premium calculations.

Developing and testing a comprehensive business disaster plan has become even more critical with the increasing reliance on technology and emergence of multi-location offices.

Insurance carriers are looking to the customer for more solid evaluation of what the anticipated down time would be and the cost of that down time. Additionally, many policies have a valuable papers provision; be sure you understand the cost of re-creating important paperwork or documents. Think about how your computer systems and off-site storage service providers can help you in the event of a disaster within your office.

Also, when evaluating new insurance coverage, see if you need to evaluate current business policies and practices to reduce risk exposure. For example, look at your client intake and conflict procedures before increasing your professional liability coverage, or do a network security audit before applying for cyber liability coverage.

A little bit of preventative maintenance can go a long way.

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