

RISK MANAGEMENT BRIEFINGS

A Publication for Law Firms

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Founded in 1988, PCIA provides professional liability and business insurance for law firms from the leading insurers in the industry.

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Maximizing the Value of Your Professional Liability Dollar



**By Robert A. Vozza, ESQ.
PCIA Account Executive**

According to the most recent American Bar Association statistics, attorneys have a 17% chance of being sued for malpractice in a given year. The primary types of professional claims are failure to know the law (56%), problematic client relations (19%), administrative or clerical er-

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We may be able to help you by providing referrals to consultants, and by providing guidance relative to insurance issues, and even to certain preventives, from case management through fee collection, and application of sound human resources management policies and procedures. Please call on us for assistance.

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PROFESSIONAL CONCEPTS
INSURANCE AGENCY

Maximizing the Value of Your Professional Liability Dollar

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rors (16%) and alleged intentional wrongs (9%). Realizing that you have inadequate coverage after a claim occurs can easily be avoided with the assistance of a knowledgeable insurance agent. Discovering the full extent or short-comings of your professional liability coverage after a claim arises is too late. As the axiom states, forewarned is forearmed. A knowledgeable agent will assist in preventing this scenario.

Choosing an Insurance Agent



We are all familiar with the cyclical nature of the insurance industry. Given the current economic climate, by all accounts, the market is “soft”. Today’s premiums are generally lower in light of the recent economic down-turn. Even in today’s current “soft” market dynamic, it is imperative that firm

decision-makers be directly involved and educated in the process of procuring professional liability insurance. In so doing, firm principals may ensure that the most comprehensive coverage is obtained for the firm at a reasonable premium from a solid, reputable carrier. Being proactive in this regard will avoid crippling results in the event of a sig-

nificant claim. This article will act as an introduction to a series of articles intended to so educate firm decision-makers.

Most law firms are contacted multiple times throughout the year by numerous agents offering insurance products. NOT ALL AGENTS ARE EQUAL. Choosing an independ-

ent agent, one who is not bound to a relationship with any *one* carrier, ensures a true analysis of what the insurance market will bear as a whole. Choosing an agent that is familiar with the

Choosing an independent agent that is familiar with the legal community and specializes in insurance for professional firms assures that appropriate coverage is bound through a qualified carrier.

local legal community and specializes in insurance for professional firms assures that appropriate coverage is bound through a qualified carrier. The best case scenario involves working with an Attorney/Agent who possesses both relevant practice experience in your state and a risk management background.

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Your agent should also be available to meet with you in person to discuss the services provided by the agency and further, to formulate a plan of action designed to efficiently prepare the application, obtain indications and bind coverage. The agent and agency staff must also be available throughout the policy period to service client needs. A good agent and agency should make other resources available in addition to just the insurance product. A willingness to conduct seminars for your firm on topics ranging from client intake, policy reviews and engagement/disengagement letters may be an invaluable risk management tool for your firm.

Your agent should also be familiar with the differing “appetites” of varying carriers. For example, some carriers are more prone to insure defense firms and are more likely to offer favorable premiums and coverage options to firms that satisfy their predilection. Other carriers may preclude firms that practice in high risk areas such as intellectual property or securities work. Knowledge of these carriers’ “appetites” makes the process more efficient. Your agent should also be adept at negotiating premiums amongst carriers and be familiar with the various differences between each carriers’ policy.

Questions directed to your agent should be readily answered. An agent should be intimately familiar with the differences between carriers’ policies,



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coverage options and claims handling procedures. Furthermore, an agent should be immediately able to advise you of the identity of your claims advocate in the event of a claim as well as the identity of personnel from the agency who will assist in the preparation of the application and placement of your firm’s insurance coverage. Failure to answer these questions in short order may indicate the agent does not specialize in professional liability insurance and therefore may be unlikely to place your firm with a carrier whose policy is specifically designed to offer broad coverage to firms participating in your area of practice. Professional liability insurance should be bound through a spe-

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cialist agent, not a generalist.

The agent should assist in the preparation of the application. Ideally, the agent obtains raw data from the firm, assembles it into an application and submits it to a firm principal for review and execution. By so doing, the strain of obtaining professional liability indications is borne by the agent, not the firm. Having an attorney or office manager prepare several applications each year is a waste of firm resources.

Working with only one trustworthy and knowledgeable agent assures that the firm will procure the most comprehensive coverage for the most reasonable premium.

Choose ONE AND ONLY ONE Agent

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the most comprehensive coverage for the most reasonable premium. Once a carrier is approached by one agent, subsequent agents attempting to obtain indications from that same carrier are precluded barring the execution of a market assignment letter. Having several agents working to procure indications from several carriers precludes negotiation. Having one agent, acting as a trusted advisor to the firm, obtain indications from the relevant marketplace enables the agent to negotiate terms amongst carriers. Your agent should be familiar with the

carriers' underwriters and capable of negotiating favorable terms in light of the broad range of coverage options and premiums available from the various carriers. The agent should then meet with you personally to discuss the various options and make an educated recommendation that accounts for all relevant factors.

Selecting Firm Staff Responsible for Procuring Insurance

It is imperative that the decision maker be involved in oversight of the entirety of this process. While assembling raw data to be provided to the agent in order to complete an application may be delegated to a staff member, a firm principal must be intimately familiar with the entirety of the process. This ensures that the firms' specific insurance needs are addressed by the agent and eliminates future denial of a claim based on incorrect data within the application. By being involved, the decision-maker guarantees a policy and coverage options that make the most sense for the firm.

Our next article will address the claims handling process and what you should expect from your insurance company.

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