

The Personal Touch is Required When Specializing in Lawyers Liability

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According to the American Bar Association, by the end of 2007 there were more than 1,143,358 licensed lawyers in the United States—approximately one lawyer for every 300 people. And although this may appear to be a lucrative market for agents and brokers, specialists caution that working with lawyers can be both rewarding and challenging. American Agent & Broker interviewed Betsy Magnuson, president of Herbert H. Landy Insurance Agency in Needham, Mass., on what it takes to succeed in this unique market.

AAB: Tell us a little about your agency's involvement with lawyers professional liability?

Magnuson: Herbert H. Landy Insurance Agency was founded by my father in 1962. Although the agency began by selling standard auto and homeowners, we sold that end of the business in the 1980s and went exclusively to professional liability. We began writing lawyers liability in the early 1990s and today, about 10 to 15 percent of our revenues are derived from that specialty.

AAB: What types of lawyers do you specialize in writing?

Magnuson: Because we work with a number of different carriers in Massachusetts, we can write virtually any type of law firm or lawyer: new attorneys, part-time attorneys, corporate, self-employed, large and small law firms and distressed law firms. It's a situation where we have a lot of options.

AAB: Do you work with any particular carriers?

Magnuson: We only use companies that are A-rated or better by A.M. Best. Not all companies write in all states and each company has an underwriting preference, so we offer a number of different carriers and options, allowing us to write business in all states and all circumstances. We can and do access the E&S market for distressed lawyers—those with a claims history that are not necessarily acceptable in the admitted market—and for excess liability limits when needed. Some nonadmitted carriers have coverage specifically designed for distressed law firms.

AAB: How has the market changed since the '90s?

Magnuson: Today there are a lot more markets and competition for this specific line of business, but it's a cyclical business.

AAB: Where are premiums for this line of business today?

Magnuson: Although premiums have gone down about 20 percent over the past year, the traditional carriers and big-name companies are not playing the price game by competing for lower premiums. Rather, they're price conscious, taking a longer view of the market cycle and are not willing to risk any sort of financial stability for short-term underwriting gain. However, many other newer companies are offering cut-rate prices.

Premiums are based on the number of attorneys in a law firm and their line of practice. For example, an attorney specializing in wills and trusts will pay less than someone specializing in real estate or plaintiff work. For a one-person firm with a clean claims record, premiums can run anywhere from \$500 to \$1,500 a year, except in states like California, where they can pay three or four times as much. Anyone involved in real estate will pay more, as will class-action attorneys, entertainment and copyright, all of which are considered high-risk areas.

AAB: What sorts of claims do you see for lawyers liability?

Magnuson: There have been a lot of real estate-related claims as a result of the current subprime mortgage crisis. Attorneys practicing in real estate have seen tightening underwriting standards and more claims related to real estate transactions. Other types of claims just have to do with poor office practices, such as missing a docket or a filing deadline. That's where underwriters are focusing on the office practices and office management of their law firm policyholders.

AAB: Have there been any changes or developments in coverage terms or language?

Magnuson: Coverages have actually broadened in some areas, such as providing extended reporting periods and the ability to add coverages on EPLI exposures. Some companies are addressing the real estate issue by tightening underwriting guidelines rather than any changes in policy language. However, we haven't seen a lot of new filings regarding policy language.

AAB: What are some of the biggest challenges involved in writing lawyers liability?

Magnuson: There are more carriers, price competition, and more independent agents that want to write the coverage, which isn't the easiest line of business to write. It's been a real advantage for us to be available to our clients on a personal level. Lawyers are different from other professionals. They're not very high-tech people, and they want personal contact. If I had to pick a class of business of which clients call us on the phone the most, it would probably be lawyers. Obviously, this means it takes longer to get things done.

In addition, more companies are transitioning to online applications and processes, which puts an additional burden on agencies like ours that do the initial quoting and application completion. However, automation does speed up the process.

AAB: What sorts of risk management techniques are you seeing to mitigate claims exposures?

Magnuson: Most of our carriers offer their own individual formal risk management and preclaims services, some for free, some for an additional charge. The insurers do things like making sure a law firm has more than one calendar system so they can cross-check and don't miss a filing deadline, and that they have a backup attorney to handle cases for an attorney who is out of the office.

If I get an application for a one-person operation that doesn't have a docket system, I tell them before I submit the app to the insurer that they need to have a system in place before they can be insured.

AAB: What advice would you give to agencies that want to specialize in this line of business?

Magnuson: It's very important for them to be available to the lawyers, having the right answers to their questions, and letting them know when they call they get to talk to someone here. Experience is key: Having done it for so long makes firms like ours more qualified to know and understand the issues at hand and what to expect from the carriers. If a firm hasn't written professional liability coverage at all, they're going in cold. Underwriting relationships are also extremely important. Our long-standing presence in the industry means we're well known, which certainly helps.

Luckily, agents don't need to be experts in this area—we can be their experts. In order to assist their clients with professional liability issues and to write business, they need a working knowledge but can rely on us for that.

We do a lot of agent education about professional liability: what to look for, what terms mean, how to get applications completed, how to talk to their clients. It's a service we provide to our agent network; they know they can rely on us to ask the questions and help them get the right answers.

Source: American Bar Association, "Desk Guide Legal Malpractice"

*Betsy A. Magnuson is president of **Herbert H. Landy Insurance Agency** of Needham, Mass. A graduate of Syracuse University, she joined the agency in 1985 and was appointed president in 2001. She is a member of several industry associations, and her expertise includes involvement in all aspects of running the agency, including IT development, underwriting, sales, management, program enhancement and development, marketing and operations.*

