

A Guide to Law Firm Insurance



Your law firm might be tempted to cut costs by purchasing a limited insurance policy. However, investing in the right combination of law firm insurance policies could benefit your legal practice financially in the long run.

Running any business comes with risks, but working in the legal field can present higher stakes. Choosing an insurance plan and provider can ensure your firm is financially steady even in worst-case scenarios.

Do Lawyers Need Insurance?

Your practice doesn't have to purchase every insurance policy, but many attorneys find it beneficial to carry comprehensive coverage. Insured law firms are protected from the fallout of financial risks like:

- Malpractice lawsuits
- Libel
- Slander
- Errors
- Omissions claims

Regardless of how hard your firm works, mistakes happen. Insurance allows you and your employees to work without the stress of unexpected costs that could disrupt your workflow and jeopardize your firm's financial well-being. When you have a solid insurance plan, you may notice benefits such as decreased financial stress and less worry about facing lawsuits while uninsured.

Some firms may be required to carry certain insurance coverage depending on their jurisdiction's rules. Ensure you're aware of any rules that apply to your practice's professional insurance requirements.

What Are the Types of Law Firm Insurance?

The [type of law firm insurance](#) your law practice carries depends on your needs and the requirements in your jurisdiction. Some policies you may consider include:

Business Owner's Policy (BOP)

A business owner's policy (BOP) covers several areas of risk for your firm. A BOP is a bundled policy that protects your firm against issues like property damage, lawsuits, and accident liability. Most business owner's policies include:

- General liability insurance, which protects your firm from financial losses related to property damage, bodily injury, personal injury, and advertising issues.
- Commercial property insurance, which protects the furniture and equipment your firm uses, even if you're leasing the property.
- Business income insurance, which covers lost income if a covered loss causes your firm to close temporarily.

General Liability Insurance & Property Insurance

General liability and property insurance policies are sometimes included in your BOP. You can also choose to buy these policies separately depending on your firm's needs.

Property insurance covers your office and the items in it. Meanwhile, general liability insurance covers incidents like slips and falls or claims filed against your company.

Without these insurance policies, your firm could be left paying for a client's accident-related losses, causing you to lose some of your hard-earned money.

Directors & Officers Insurance (D&O)

Directors & officers insurance (D&O) protects your firm's board of directors against mismanagement lawsuits.

If your board of directors faces allegations of misconduct, D&O protects them from the repercussions of a lawsuit, such as defense costs. Essentially, D&O protects your law firm if attorneys decide to sue it.

Professional Liability Insurance

Professional liability insurance, or legal malpractice insurance, protects practicing attorneys from lawyer negligence claims. While some clients make baseless malpractice claims, your firm should consider carrying this type of insurance to cover the cost of any mistakes that could occur during the legal process.

A malpractice lawsuit against you or your firm may be expensive to deal with. Your professional liability insurance policy can help pay for your legal defense and settlements or damages paid against your firm.

Cyber Liability Insurance

While there are [benefits of remote and hybrid working environments](#), there is an increased risk of valuable information being compromised if proper security measures aren't followed closely. Cyber liability insurance becomes invaluable as more firms choose to share work over the internet.

This insurance policy can help your firm pay out claims if you suffer a security breach or other cybersecurity issue.

Your firm should always take precautions to protect your clients' data and personal information. Though cyber liability insurance can't protect you from a data breach, it can help keep your firm financially stable should a breach occur.

How to Find the Right Law Firm Insurance Provider

Finding the right insurance provider for your law firm might take some time. Not every policy or provider will be the right fit for your legal practice.

When searching for the insurance provider that will best suit your needs, you should:

- Do your research when deciding which provider to choose. You can read online reviews and compare price options to find an insurance company that meets your needs for adequate coverage.
- Find an insurance agent who specializes in law firm insurance. They can advise you on the policy or policies that can protect your firm.
- Discuss what your firm does, the kind of cases you handle, and the sensitive information you're responsible for safeguarding. This can help the insurer determine which policies are the best for your firm.

You should also be ready to ask questions before choosing a policy or provider. Before signing on to pay for any insurance policy, consider:

- The terms of your policy's coverage
- The deductibles
- Whether the insurance company has experience working with law firms
- Whether the policies you choose cover all legal services your firm provides
- The limits of liability

No two law firms have the same needs. Your location, services, and reputation may all play a role in the type of coverage you need. By speaking to a few providers before deciding, you can protect your firm from financial worry.

How Much Does Law Firm Insurance Cost?

The cost of your law firm's insurance coverage will depend on many factors, including the policies and coverage you choose. Your practice's location, previous claims history, and the number of attorneys you're covering can also affect how much you'll pay for insurance.

Lawyers with more experience might pay more for insurance than less experienced lawyers. This is mainly because experienced lawyers have spent more years taking on complex cases, which means the potential for former clients to bring claims against them is higher.

The insurance company you choose can also influence the cost of your law firm's insurance coverage. For example, "big box" insurance providers like Embroker

might charge more than locally-focused businesses. Ultimately, if you choose a comprehensive policy, your firm might be paying a more considerable monthly sum.

By combining a comprehensive insurance policy with [legal time-tracking software](#), your company could save money and prevent lost productivity.

Protect Your Firm From the Unknown

Investing in a law firm insurance policy might seem unnecessary, but the money you spend protecting your firm is worth it. Certain firms may be required to purchase a minimum amount of coverage depending on their jurisdiction's rules. However, it may benefit you to purchase coverage beyond the minimum necessary.

The policy or policies you pick may depend on the size of your firm and your claims history. Law firms face risks regularly, from cybersecurity concerns to mistakes that could arise during a complex case. It's best to prepare for the worst than suffer the consequences of being uninsured later.

Plus, law firm insurance has many benefits, such as:

- Protecting your employees
- Allowing your firm to bounce back after a challenging time
- Ensuring you comply with laws and regulations
- Protecting your firm from the lawsuit costs

Between managing client needs and choosing an insurance provider, you have a lot on your plate. Your firm can reduce errors and data breach risks by using Bill4Time's [legal practice management software](#).