I know it’s true because I read it on the internet, right? There are lots of misconceptions out there in every area of life and in the law firm insurance world (a small world where geeks like me live) is no different. These are seven common misconceptions that we find among law firms:

1. **Raising my professional liability deductible will lower my cost.** While intuitive and true on some types of insurance coverage like personal auto insurance, raising your deductible on your professional liability insurance will almost never make business sense. For example, saving $500 on your annual premium by increasing your deductible by $25,000 would be a big mistake. Think about the total cost of risk.

2. **Contents coverage protects my stuff.** All law firms purchase coverage for their office equipment and build-out space as part of their office package policy. However, the amounts of each coverage must be customized for your firm. The coverage does not grow with your firm. If you did this process 15 years ago, you can be certain that the coverage is no longer appropriate.

3. **All policies are standard.** Most of the policies that you have at your firm are not standard forms. General liability, umbrella and workers’ compensation are exceptions and are standard forms. The rest — professional liability, health insurance, cyber, employment practices liability insurance (EPLI) — are all important coverages, but are not at all standard. If you are not a technical reader or your broker isn’t giving you a complete review, enlist one of your lawyers to read your policies.

4. **Professional liability insurance applications are just paperwork.** How you complete the professional liability application will determine your premiums, options from other companies, and, importantly, whether there will be coverage in times of claim. Start with a copy of last year’s application, discuss it with your broker to come up with a draft for this year and then type your application in a neat and comprehensive format.
5. **Don’t report the small claims.** When there is even a whiff of dissatisfaction about your legal services, report to your insurance company. Yes, this could impact your future premiums. However, it is still the right thing to do for two reasons: 1) Even if you think it will become nothing and fall well below your deductible, you can never be 100 percent certain of that — risking your coverage on a claim is an unacceptable risk for your firm. 2) You will have another application to complete in the next 12 months asking you if you know of any circumstances that could lead to a claim, so you will be giving the insurance company a reason to void your policy (if you continue to hide it). Or, if you disclose it, you will suffer the same future premium increases as you started with above. Your broker can mitigate future premium increases due to frivolous claims.

6. **Health insurance claims are the employee’s burden.**

All health insurance companies have trouble paying claims in a simple, easily understood way. This confusion is compounded when claims are either denied or disputed. It should be part of your human resource department’s responsibilities (with your outside vendors and consultants) to help the employees resolve these claims for two reasons: 1) your team can do it better; 2) you do not want your employees spending time worrying and dealing with these issues. Lots of data shows that these claims will negatively impact their mindfulness and efficiency at work.

7. **We know everything we need to know about insurance.** It is impossible for any one person to be up-to-date on every nuance of every coverage of insurance for your firm. Even insurance brokers (whose job is entirely insurance) have specific departments of specialization. You need to keep learning from conferences and reading and using professionals who are themselves always learning. A perfect example of this need is keeping up with cyber liability coverage, which is constantly changing.

Misconceptions are shortcut assumptions that are wrong. If you learn more about these issues, you can easily improve on each of these areas. Your professionals can help, but ultimately it is up to you to make these improvements. Your partners will thank you.

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**ABOUT THE AUTHOR**

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