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Navigating the Professional Liability Insurance Marketplace

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The types of claims brought against accountants have not changed dramatically over the last ten years. However, since 1999 there has been a steady increase in the severity and number of lawsuits filed against accounting firms. Underwriters have responded to this trend by increasing rates from 20% to more than 100%, often mandating each and every claim deductibles and, in some cases, restricting policy language.

On the bright side, there are many strategies to insulate your firm against this seller's market.

- COMPLETE YOUR APPLICATION EARLY.** Allowing your broker adequate time to properly enhance your submission and negotiate renewal terms is critical. Preparing your renewal package at the last minute will cost your firm premium dollars.
- PREPARE A GREAT SUBMISSION.** Your submission offers Underwriters far more information about your firm than the answers to various questions. It displays your commitment to detail, your professionalism and your work product. Highlight your strengths, include resumes of key partners and provide an overview of your quality control procedures. Work with your broker to package the submission in a clear, easy to read aesthetically pleasing fashion. Underwriters review hundreds of submissions each year, make yours stand out in a crowd.
- ADDRESS YOUR EXPOSURE.** If your firm provides services to publicly held companies, offers a range of investment products to clients or provides other higher risk services, address them in your submission. Underwriters are very closely monitoring these services and desire far more information than in prior years. Detail the experience and qualifications of the personnel providing these services and offer a brief business plan of your strategy.
- PROVIDE CLAIMS DATA.** Insurers expect accounting firms to have claims. They have a greater interest in how your firm addressed the claim, how you resolved it, and how you have changed your practice to avoid a similar matter in the future. If your firm sues for fees, explain under what circumstances you take action. If your firm does not sue for fees clearly state this in your submission. Request a detailed Loss Run from your current insurer and include this information in your submission.
- GET MULTIPLE QUOTES.** While establishing a relationship with your insurer is important, the market has changed rapidly in recent years. Discuss viable alternatives with your broker and entertain alternative quotes at your renewal. Your broker should review the respective terms and conditions of each quote, including an assessment of the Insurers' financial security, commitment to this class of business and claims handling philosophy.

Your renewal submission is an annual opportunity to "sell" your firm to the underwriting community. The effort you put into the contents will have a material impact on your terms.