

The Risk is Real for Law Firms

The number of lawyers professional liability lawsuits brought against lawyers and law firms continues to increase and can include allegations of unintentional errors or failing to fully address the client's issues to conflict of interest and actual breach of fiduciary duty.

The risk for your firm is real and significant. So is the protection you can have with insurance offered by Monitor Liability Managers, Inc. Here are just a few examples of the damage a single lawyers professional liability lawsuit can cause.

Law Firm Exonerated but at a Hefty Price

Malicious Prosecution

The insured law firm filed an 11-count complaint on behalf of its client. After dismissal of the action, the firm found itself serving as a defendant in a malicious prosecution action put forth by this client. Recognizing the plaintiff could not succeed on all points of the malicious prosecution claim, the law firm brought a defense against the case. Unfortunately, the wealthy plaintiff decided vengeance outweighed economics and took the case through the trial and appellate courts. The exoneration of the law firm came with a hefty price tag. Monitor paid defense fees exceeding \$1 million.

Homeowners Claim Bad Faith Complaint Not Filed in a Timely Manner

Legal Malpractice/Error

Monitor's insured, a law firm with a primary area of practice in civil litigation, was retained to file a bad faith complaint against an insurance company on behalf of homeowners.

According to the complaint, the insurance company had denied the homeowners' water and mold damage claims. After the plaintiffs settled the bad faith claim for \$190,000, they sued the insured for legal malpractice, alleging the bad faith claim filed by the law firm had not been filed in a timely manner and contained serious errors. The homeowners claimed they had been forced to settle the underlying bad faith case for less than full value because their case had been weakened. The initial demand was \$635,000; however, the case against the insured was settled through mediation for \$120,000. Monitor covered approximately \$100,000 in defense payments.

Former Clients Sue Firm with a Laundry List of Allegations

Negligence/Breach of Contract and Fiduciary Duty

The insured law firm with primary practice areas of municipal law and commercial litigation defended clients against allegations of embezzlement of family funds. The case was settled when the parties agreed to sell the family residence at fair market value. The former clients then filed suit against the insured alleging negligence, breach of contract, breach of fiduciary duty, intentional infliction of emotional distress, misrepresentation, statutory violations and constructive fraud. The plaintiffs claimed the property had been sold out from under them and demanded several hundred thousand dollars for the increased value of the property due to a rise in the real estate market. After the judge ruled on the parties' motions in limine prior to jury selection, the plaintiffs non-suited their case. Recently, the plaintiffs filed an appeal. Monitor has spent almost \$200,000 in defense payments to date.

