# Malpractice Risk Trends: What's Changing in Legal E&O?

Legal malpractice claims are evolving. Whether driven by rising client expectations, emerging areas of law, or complex firm structures, the risk landscape for law firms is shifting. For managing partners and decision-makers, keeping pace with these changes is essential—not only to reduce exposure but to ensure your insurance program can keep up.

**Legal E&O: Still Necessary, but No Longer Standard**

Errors & Omissions (E&O) insurance—also known as legal malpractice coverage—is a foundational part of any law firm's risk management strategy. But as legal services diversify and the business of law becomes more complex, relying on a boilerplate policy can leave critical exposures uninsured.

Today's top malpractice risks include:

- **Complex conflicts of interest** due to lateral hiring or multi-jurisdictional practices.
- **Data breaches** that implicate client confidentiality.
- **Missed deadlines or procedural failures**—still a leading cause of claims.
- **Advice in evolving areas** like cryptocurrency, cannabis, or ESG-related issues.
- **Allegations of overbilling** or fee disputes that turn into negligence claims.

The sheer range of ways legal services can go awry today means insurers are taking a closer look at underwriting—leading to more tailored, restrictive, or conditional policy language.

**Trends in Legal Malpractice Claims**

According to recent industry data, claim severity is rising even if claim frequency remains steady. A few key trends:

- **Larger settlements and judgments.** High-value transactions or cases can lead to seven- or eight-figure malpractice claims, particularly in corporate, real estate, and IP law.
- **Claims arising from "non-traditional" services.** Consulting, lobbying, or business advising can blur the line between legal and non-legal services—potentially falling outside E&O policy coverage.
- **More aggressive plaintiff firms.** Some malpractice plaintiffs now pursue law firms using tactics borrowed from class action litigation—including seeking firm-wide liability or naming multiple attorneys.

**How Insurers Are Responding**

Carriers are adjusting their underwriting standards and policy language in response. Some of the changes you might see:

- **Narrower definitions of professional services.** If your firm offers non-legal services, make sure they're explicitly covered.
- **Stricter reporting requirements.** Late notice of a potential claim can jeopardize coverage.
- **Refined prior acts language.** As firms grow, merge, or bring on lateral hires, insurers are tightening retroactive dates and prior acts provisions.
- **More attention to internal controls.** Underwriters want to see formal risk management procedures, conflict check systems, and documented client communication practices.

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### Is Your Policy Keeping Up?

The malpractice policy you bought five years ago may no longer reflect your current risk profile—or today's claims environment. Here's what to review:

1. **Policy Definitions.** Ensure that "professional services" and "insured persons" align with your firm's actual structure and services.
2. **Exclusions.** Watch out for new exclusions or revised language that may carve out areas you assumed were covered.
3. **Limits & Deductibles.** Are your policy limits keeping pace with your firm's exposure? Are you carrying a retention that fits your risk appetite?
4. **Claims-Made Considerations.** Confirm how your policy handles prior acts, reporting timelines, and extended reporting periods.

### The Bottom Line for Managing Partners

Malpractice insurance is not a one-and-done purchase. As your firm evolves, your risk profile does too—and so must your insurance. Work with a broker who understands the legal industry and can help you secure coverage that's not just comprehensive, but current.

### Need a second opinion on your legal E&O policy?

IMA offers specialized insurance solutions designed for law firms. We help legal practices identify coverage gaps and find policies tailored to their risk profile. Contact us to learn more—or request a complimentary policy review.