Year-End Risk Review – Insurance Housekeeping for Law Firms

How to Close Out the Year Right and Prepare for the Next

As the year draws to a close, law firms have a valuable opportunity to review their insurance policies and ensure they're fully protected heading into the new year. An annual insurance review helps firms identify coverage gaps, update policies to reflect operational changes, and strengthen their overall risk management strategy.

A small investment of time now can prevent substantial financial and reputational damage later.

One of the most important steps is reviewing **professional liability (E&O)** insurance, the primary defense against malpractice claims. Firms with claims-made policies should verify that their retroactive (prior acts) date still matches their current scope of practice—especially if they've expanded into new areas or jurisdictions. Now is also the time to revisit claims history and evaluate whether policy limits still make sense. Even small incidents may need to be reported, depending on policy requirements.

Next, ensure that **cyber liability insurance** reflects today's heightened digital risks. As firms take on more clients and expand their digital infrastructure, exposure to cyber threats grows. Year-end is the perfect time to reassess policy limits, confirm that coverage extends to vendors and third-party service providers, and verify that your data breach response plan—including legal, IT, notification, and crisis management support—is fully covered.

Employment-related claims continue to rise across all industries, making **employment practices liability (EPL)** insurance another key area for review. Firms should ensure policies cover all workers, including independent contractors, and that coverage addresses claims such as discrimination, harassment, and wrongful termination. Staffing changes, firm growth, or workplace policy updates may require adjustments to your EPL coverage.

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For firms that manage client funds, **trust account insurance** is essential. In addition to professional liability coverage, firms should maintain fidelity bonds or crime insurance to protect against theft, fraud, or misappropriation of client funds. Reviewing trust account management procedures—such as fund separation, reconciliation practices, and documentation—helps reduce the risk of errors that may fall outside standard liability coverage.

Year-end is also a good time to verify **limits and deductibles** across all policies. As your client base, case types, or firm size change, your coverage needs may shift as well. Higher limits may be necessary for firms taking on more complex or higher-value matters, while deductible adjustments can help balance premium costs with financial risk tolerance.

Finally, take care when reviewing **renewal terms**. Ensure that no new exclusions or policy changes expose the firm to unnecessary risk, and explore whether more competitive options are available.

Final Thought for Managing Partners:
A year-end insurance review isn't just administrative—it's a strategic safeguard. By thoroughly evaluating policies, updating coverage where needed, and addressing gaps before the new year begins, managing partners can protect their firms from evolving risks and position them for continued success in the year ahead.