

## **Lateral Hires: Protecting Your Firm from Their Past Acts**

One question that gets asked weekly in the professional liability (i.e. malpractice insurance) world has to do with prior acts (aka 'tail') coverage for a lateral hire joining a firm from another law firm that has recently closed its door or simply what to do in the event of a merger with another law firm.

Law Firms that bring in lateral hires, or even acquire entire law firms, have a potential exposure in the event those lawyers get sued for malpractice for acts that occurred while at a prior firm.

While your firm could assume this should not be your concern, the economic reality is that a potentially uncovered claim can be a significant distraction that can adversely affect the financial performance of that new lawyer as well as the entire firm.

When a new attorney joins a firm, the firm should be aware that most policies allow for the purchase of an Extended Reporting Period or "(ERP)" that will cover that attorney for services provided to joining the firm. We recommend that all new hires are made aware that the firm is covering them for acts starting on their date of hire.

Additionally, if your firm acquires a firm or is being acquired, all firms have ERP options that exist on almost every policy issued in the commercial market. Purchasing the ERP makes that potential merger a much cleaner transaction and prevents any headaches for both of your firms down the road.

It is a topic that is often misunderstood and should be handled on a case by case basis. You should ask your insurance broker or carrier any questions if the situation presents itself because as we tell most people that call us, we are usually the last to find out but we are sometimes the most important part to keeping good risk management policies and preventing mistakes from hurting the firm down the road.

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