

FAST FACTS

THE HARTFORD: Your solution for
Law Offices.



Size of Opportunity

| | |
|---|------------------------------|
| U.S. Law Offices | 400,000 + offices* |
| Combined premium for workers' compensation, business liability, property and auto | Approximately \$500 million* |

Appetite

- Property values of \$15 million per location and sales of \$15 million per account
- Monoline workers' compensation up to \$6 million in payroll; monoline auto up to 25 power units
- Larger workers' compensation and auto policies may be written in conjunction with a Spectrum® policy

SIC Type of Business

| | |
|------|----------------|
| 8111 | Legal Services |
|------|----------------|

Industry Outlook

Most law firms are small, operate locally and earn a large portion of their revenue from a few customers. Increased tax code and business regulation complexity will drive the demand for legal services over the next decade.

Law firms bill clients in a variety of ways. Per hour billing is used when the length of a project is unpredictable; set-fees apply when a project's complexity and number of hours are predictable; contingency fees are commonly used when a firm litigates tort procedures. Contingency fees are quoted as a percentage of the recovery and only collected if the litigation is successful.

continued

Competition from do-it-yourself sites such as www.legalzoom.com has increased over the past few years, especially for smaller firms.

Office managers handle day-to-day operations in larger firms and may be involved in the insurance buying decision.

Why Law Offices Choose The Hartford

Spectrum Business Owners Policy

- **Fast, powerful computers and specialized software programs are a business necessity.** Computers are used extensively to file court documents, access court records and handle administrative duties. Computerized phone systems and applicable software track lawyers' talk time with clients and send time accounting data to billing systems.

Spectrum includes Computers and Media as covered business personal property and protects our insured's investment in computer technology by reimbursing them for physical loss, or damage to, computer hardware. Coverage is extended to loss of, or damage to, data or computer software on a more limited basis.

The optional Computers and Media coverage form provides built-in coverage for virus damage to computer equipment, software and data. Limits are available up to \$2 million. Stretch endorsements may also contain additional limits.

- **Law firms store valuable documents for extended time periods.** Files, depositions, contracts, etc. all need to be stored for extended periods. These documents are not only necessary to conducting day-to-day business but can be used to rebut a professional liability claim should a suit be brought by a client.

Spectrum is designed to cover Valuable Papers up to a \$25,000 limit both on and off the premises. This limit may be increased up to \$2 million. Additional limits are provided by the blanket limit included in our Super Stretch endorsements. We provide coverage for the cost to research and re-create copies of clients' files.

- **Lawyers sometimes work from a client's original documents.** Although it is recommended that lawyers work from duplicate copies, at times original documents are removed from a clients' premises.

Personal Property of Others in the insured's care, custody or control is provided as Business Personal Property. Additional limits are provided under many of our Stretch endorsements.

- **Receivables can make up a large percentage of total assets.** Firms that handle cases on a contingency basis have long periods when expenses are building but no money is being collected. Contingency fees are only collected when the outcome of the case is favorable.

Spectrum has a \$25,000 limit for Accounts Receivable coverage built into the form for both on and off premises exposures. This limit may be increased up to \$2 million. Additional limits are provided by the blanket limit included in our Super Stretch endorsements. Accounts Receivable coverage responds to losses caused by the inability to collect outstanding balances as a result of lost or damaged records.

- **Even though law libraries have been moved online, many firms retain and maintain the original books.** The books are valuable, and make an impressive and attractive backdrop in a conference room.

Our industry specific Super Stretch endorsement for Law Offices provides \$25,000 for direct physical loss of, or damage to, a firm's Law Library.

- **Employee theft represents a significant exposure.** Client files and other legal documents often contain sensitive, secret and valuable information that may be misappropriated by employees of law firms. Client funds are, at times, held in accounts and maintained by the law firm.

We offer an optional Employee Dishonesty endorsement which can be purchased. Limits from \$10,000 to \$250,000 are available. Additional limits are provided under many of our Stretch endorsements.

- **Law firms "dress for success".** Law firms purposely project success in their décor. Fine art, statues and Oriental rugs are commonly displayed in hallways and partners' offices.

The optional Fine Arts endorsement provides the ability to schedule Fine Arts items and establish a value for each. The items can be owned by the firm or owned by others while in the insured's care, custody or control. Additional limits are provided under many of our Stretch endorsements.

continued

- **Many firms host social events for clients.** Law firms often entertain clients at holiday parties, sporting events and golf outings. Wine, beer or other forms of alcohol may be served.

Host Liquor coverage is automatically included when business liability is in place and extends to the policy limit, or if there is an umbrella in place, to the umbrella limit.

Workers' Compensation

- **Cash flow varies by the size of the firm.** Larger firms with more clients may have steady cash flow but smaller firms generally have irregular cash flow. When cases are handled on a contingency basis there may be long periods of cash outflow while no revenue comes into the firm.

The Hartford offers a convenient way to manage cash flow with XactPAY®, our patent pending payroll billing solution for Hartford workers' compensation policyholders. Benefits to small business owners include no large down-payment, pay-as-you-go premium charges based on actual payroll and mitigation of audit surprises at the end of the policy.

Commercial Auto

- **Employees often use their own cars to travel to clients' offices.** A significant non-owned auto exposure exists. Travel to clients' offices also creates a workers' compensation exposure.

Our Broad Form endorsement is automatically added to most policies at no cost to the insured. Among its 17 provisions we include:

Employees as Insureds - If an employee has an accident while driving their own car on company business, personal liability coverage is provided to the employee in excess of the employee's own personal auto insurance.

- **Many firms lease expensive vehicles for the partners.** Vehicles depreciate quickly and in the event of a total loss the outstanding value of the lease may exceed the actual cash value of the vehicle.

Lease Gap Coverage - In the event of a total loss to a covered leased auto for which the lessor has been added as an additional insured, we will pay the outstanding balance of the lease if it exceeds actual cash value.

With The Hartford Behind You, Achieve What's Ahead of You.

Don't forget to visit our small commercial site at:
sb.thehartford.com

The information provided in this material is intended to be general and advisory in nature and should not be considered legal advice. Certain coverages, features and credits vary by state and may not be available to all insureds. All coverages are individually underwritten.

This document outlines in general terms the coverages that may be afforded under a Hartford policy. All policies must be examined carefully to determine suitability for your needs and to identify any exclusions, limitations or any other terms and conditions that may specifically affect coverage. In the event of a conflict, the terms and conditions of the policy prevail. All Hartford coverages described in this document may be offered by one or more of the property and casualty insurance company subsidiaries of The Hartford Financial Services Group, Inc. All information herein is as of April 2010.