

**KENTUCKY BAR ASSOCIATION
RULES OF THE SUPREME COURT OF KENTUCKY**

PRACTICE OF LAW

SCR 3.024 Requirements of practicing law in limited liability entities

Lawyers may engage in the practice of law as a partner, shareholder, member, manager, co-owner or employee of a registered limited liability partnership, professional service corporation, limited liability company or any other limited liability entity recognized by the Commonwealth so long as such entity maintains at all times adequate professional liability insurance in force and effect or has established and maintains at all times other acceptable forms of adequate financial coverage for the acts, errors and omissions of its partners, shareholders, members, managers, co-owners and employees arising out of the performance of legal services.

For purposes of the preceding sentence, "adequate insurance" shall mean one or more policies of lawyers professional liability insurance which shall insure the limited liability entity and its individual owners and employees. The insurance shall be in an amount of at least \$50,000 per claim, multiplied by the number of attorneys of the limited liability entity, with an aggregate maximum limit of liability per policy year for all claims in the amount of at least \$100,000, multiplied by the number of attorneys of the limited liability entity, provided that i) the minimum insurance coverage that a limited liability entity shall be required to carry is \$250,000 per claim and \$500,000 for all claims during the policy year and ii) no limited liability entity shall be required to carry insurance in excess of \$5,000,000 per claim and \$10,000,000 for all claims during the policy year. Each co-owner of a limited liability entity shall remain jointly and severally liable for acts, errors and omissions excluded from coverage by such insurance policies, but in no event shall that joint and several liability exceed, for each claim and for all claims during the policy year, an amount (net of the payment of any insurance claims in such year) equal to the minimum amount of coverage per claim and for all claims during the policy year described in the second sentence of this paragraph.

For purposes of this Rule, a limited liability entity has established "other acceptable forms of adequate financial coverage" if the limited liability entity provides funds (in amounts no less than as described in the next sentence) specifically designated and segregated for the satisfaction of judgments against the limited liability entity and/or the co-owners by:

(1) deposit in trust, or in bank escrow of cash, bank certificates of deposit, or United States Treasury obligations; or

(2) a bank letter of credit, or

(3) a surety bond to be payable to any person presenting a valid final judgment of any court of competent jurisdiction in the Commonwealth of Kentucky, or a foreign judgment registered in a Kentucky federal court, or a settlement or mediation award for acts, errors and omissions arising out of the performance of professional legal services by the limited liability entity. The funds required to be so designated and segregated shall be no less than \$50,000 multiplied by the number of attorneys employed by the limited liability entity, with the minimum amounts of funding for the year to be no less than \$250,000 and the maximum limit of funding for the year shall not be required to exceed \$5,000,000.

Nothing in this Rule shall relieve a co-owner of a limited liability entity from personal liability for the acts, errors and omissions committed by such individual or any person under his or her direct supervision and control arising out of the performance of professional legal services.

HISTORY: Adopted by Order 99-1, eff. 2-1-00