



## FOREIGN LEGAL CONSULTANTS: SATISFYING THE SECURITY FOR CLAIMS REQUIREMENT

Following are methods for Registered Foreign Legal Consultants (FLC) to provide evidence of security for claims to satisfy the coverage requirement, and important considerations for each method. Please see [rule 9.44](#) of the California Rules of Court, [Title 3, Division 3, Chapter 4 of the Rules of the State Bar](#), and the [Schedule of Charges and Deadlines](#) for further information.

### INSURANCE

You may provide a certificate of insurance of your coverage for damages by reason of any act, error, or omission in the rendering of legal services as FLC in an amount of at least \$150,000 for each claim and \$450,000 for all claims established during the calendar year.

- **Cost of Defense:** If the insurance policy excludes the cost of defense of the FLC, the amount of the limits may be reduced to \$100,000 for each claim and \$300,000 for all claims established during the calendar year.
- **Deductible:** If the deductible for your insurance policy is over \$10,000, it must be secured by a letter of credit or a written guarantee as described below.
- **Insurers Outside of California:** If you intend to obtain insurance from outside of California, you must, upon request, provide a copy of the insurance policy stating the required coverage and submit the insurance company's official financial statements or annual report for the most recent fiscal year.

### LETTER OF CREDIT

You may provide a letter of credit payable if you become legally obligated to pay damages by reason of any act, error, or omission in the rendering of legal services as FLC in an amount of at least \$100,000 for each claim and \$300,000 for all claims established during the calendar year.

- **Insurance Deductibles:** If the letter of credit is provided as evidence of security for the insurance policy deductible, the letter must state that the amount of the deductible portion exceeding \$10,000.
- **Banks Outside of California:** A bank doing business in California, or a foreign correspondent bank, may issue a letter of credit confirmed by a local advising bank. Any

## FLC: SATISFYING THE SECURITY FOR CLAIMS REQUIREMENT

change in that confirmation, extension, modification, or replenishment must be made before the effective date of change for continued coverage under the letter of credit.

### WRITTEN GUARANTEE

You may provide a written guarantee to cover damages by reason of any act, error, or omission in the rendering of legal services as FLC in an amount of at least \$100,000 for each claim and \$300,000 for all claims established during the calendar year. The guarantee must be made in favor of the State Bar of California.

- **Guarantor:** The guarantor must be a California law firm or law corporation, an active licensee of the State Bar, or a financial institution.
- **Independent Accountant's Certification:** You must obtain an independent accountant's certification that the guarantor's tangible net worth as of the most recent fiscal year amounts to at least the minimum required for security for claims. The independent accountant's certification must be based upon the guarantor's financial statements and subsidiary records. Intangible assets such as good will, licenses, patents, trademarks, trade names, copyrights and franchises may not be included as part of the guarantor's tangible net worth. However, the independent accountant's basis for estimating the guarantor's tangible net worth may include 50% of uncollected fees billed and fees earned but not yet billed.

### WRITTEN AGREEMENT

You may provide a written agreement to cover damages by reason of any act, error, or omission in the rendering of legal services as FLC in an amount of at least \$150,000 for each claim and \$450,000 for all claims established during the calendar year. You must provide copies of your bank statements with a written agreement.