

SUPREME COURT OF WISCONSIN

In the Matter of the Amendment of
Supreme Court Rules: SCR 20:5.4 --
Professional Independence of a Lawyer;
SCR 20:5.7 -- Limited Liability
Legal Practice

ORDER
No. 96-02

The court held a public hearing March 27, 1996 on the petition of the State Bar of Wisconsin seeking the creation of a rule authorizing lawyers to engage in practice as a limited liability organization, subject to annual registration and proof of financial responsibility. The petition also sought the amendment of SCR 20:5.4 to specify limited liability organizations in the rule prohibiting the practice of law in the form of an organization in which a nonlawyer owns an interest, is a corporate director or officer, or has the right to direct or control the professional judgment of a lawyer. Following the public hearing, the State Bar filed a revised petition addressing some of the issues raised at the hearing. Thereafter, at the court's request, the State Bar submitted additional proposed liability limits of professional liability insurance to be required according to law firm size.

The court has considered the petition and revised petition of the State Bar, the presentations at the public hearing, and the material filed with the court in the matter and has adopted the State Bar's submission on liability limits.

IT IS ORDERED that, effective July 1, 1997, the Supreme Court Rules are amended as follows:

1. SCR 20:5.4(d) (intro.) of the Supreme Court Rules is amended to read:

20:5.4(d) (intro.) A lawyer shall not practice with or in the form of a professional corporation ~~or~~, association or limited liability organization authorized to practice law for a profit, if:

2. SCR 20:5.7 of the Supreme Court Rules is created to read:

20:5.7 Limited liability legal practice

(a) (1) A lawyer may be a member of a law firm that is organized as a limited liability organization solely to render professional legal services under the laws of this state, including chs. 178 and 183 and subch. XIX of ch. 180. The lawyer may practice in or as a limited liability organization if the lawyer is otherwise licensed to practice law in this state and the organization is registered under sub. (b).

(2) Nothing in this rule or the laws under which a lawyer or law firm is organized shall relieve a lawyer from personal liability for any acts, errors or omissions of the lawyer arising out of the performance of professional services.

(b) A lawyer or law firm that is organized as a limited liability organization shall file an annual registration with the state bar of Wisconsin in a form and with a filing fee that shall be determined by the state bar. The annual registration shall be signed by a lawyer who is licensed to practice law in this state and who holds an ownership interest in the organization seeking to register under this rule. The annual registration shall include all of the following:

(1) The name and address of the organization.

(2) The names, residence addresses, states or jurisdictions where licensed to practice law, and attorney registration numbers of the lawyers in the organization and their ownership interest in the organization.

(3) A representation that at the time of the filing each lawyer in the organization is in good standing in this state or, if licensed to practice law elsewhere, in the states or jurisdictions in which he or she is licensed.

(4) A certificate of insurance issued by an insurance carrier certifying that it has issued to the organization a professional liability policy to the organization as provided in sub. (bm).

(5) Such other information as may be required from time to time by the state bar of Wisconsin.

(bm) The professional liability policy under sub. (b)(4) shall identify the name of the professional liability carrier, the policy number, the expiration date and the limits and deductible. Such professional liability insurance shall provide not less than the following limits of liability:

(1) For a firm composed of 1 to 3 lawyers, \$100,000 of combined indemnity and defense cost coverage per claim, with a \$300,000 aggregate combined indemnity and defense cost coverage amount per policy period.

(2) For a firm composed of 4 to 6 lawyers, \$250,000 of combined indemnity and defense cost coverage per claim, with

\$750,000 aggregate combined indemnity and defense cost coverage amount per policy period.

(3) For a firm composed of 7 to 14 lawyers, \$500,000 of combined indemnity and defense cost coverage per claim, with \$1,000,000 aggregate combined indemnity and defense cost coverage amount per policy period.

(4) For a firm composed of 15 to 30 lawyers, \$1,000,000 of combined indemnity and defense cost coverage per claim, with \$2,000,000 aggregate combined indemnity and defense cost coverage amount per policy period.

(5) For a firm composed of 31 to 50 lawyers, \$4,000,000 of combined indemnity and defense cost coverage per claim, with \$4,000,000 aggregate combined indemnity and defense cost coverage amount per policy period.

(6) For a firm composed of 51 or more lawyers, \$10,000,000 of combined indemnity and defense cost coverage per claim, with \$10,000,000 aggregate combined indemnity and defense cost coverage amount per policy period.

(c) Nothing in this rule or the laws under which a lawyer or law firm is organized shall diminish a lawyer's or law firm's obligations or responsibilities under any provisions of this chapter.

(d) A law firm that is organized as a limited liability organization under the laws of any other state or jurisdiction or of the United States solely for the purpose of rendering professional legal services that is authorized to do business in Wisconsin and that has at least one lawyer licensed to practice

law in Wisconsin may register under this rule by complying with the provisions of sub. (b).

(e) A lawyer or law firm that is organized as a limited liability organization shall do all of the following:

(1) Include a written designation of the limited liability structure as part of its name.

(2) Provide to clients and potential clients in writing a plain-English summary of the features of the limited liability law under which it is organized and of the applicable provisions of this chapter.

IT IS FURTHER ORDERED that notice of these amendments of the Supreme Court Rules shall be given by a single publication of a copy of this order in the official state newspaper and in an official publication of the State Bar of Wisconsin.

Dated at Madison, Wisconsin, this 18th day of March, 1997.

BY THE COURT:

Marilyn L. Graves, Clerk