

# Preparing a Risk Management Submission

A Guidance Note from Lockton Companies LLP  
July 2013

## Introduction

Completing a Proposal Form is a time consuming task, and involves the collation of a significant body of information regarding your firm. On its own, however, it does not always provide a sufficient platform for you to adequately present your firm to the market.

Time consuming though the process can be, the cost of your practice's professional indemnity insurance is frequently one of the single largest outlays. There are therefore circumstances where the time spent in putting together a very strong presentation to insurers can more than repay the investment in time.

## Who should include a Risk Management Submission in their Renewal presentation?

If your practice:

- has a poor/worse than average **claims experience** (number and/or value of claims)
- has/is about to undergo a restructure/merger
- has changed **risk profile** lately (addition of new practice areas, significantly increased fee income, other major changes)
- has been subject to regulatory investigation
- is in a 'high risk category' (size and work type)
- is considering moving to another insurer
- has never/not recently provided a risk management submission and your broker advises that it would assist with renewal negotiations.

Insurers' initial *technical* (i.e. using a standard rating formula, prior to considering any wider information) underwriting processes will tend to identify a practice as higher risk if:

- it is a smaller practice (Lockton claim statistics indicate that practices with *5 partners or fewer* have significantly higher claims per partner than larger practices)
- a significant proportion of the practice's work is categorised as
  - Residential Property
  - Commercial Property
  - General Commercial
  - Personal Injury claims
  - Trust & Probate
- fee income per partner, or the ratio of fee earners to partners is particularly high.



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Section Heading	Contents	Notes
Executive Summary		A strong summary which references key elements in the detailed presentation is a valuable marketing tool – which can help sell your practice, and differentiate it.
Overview of the firm	<ul style="list-style-type: none"> <li>History of the firm: where has it come from? Where is it going to?</li> <li>firm ethos and culture</li> <li>Key firm details: staff numbers, locations, principle work areas/splits, specialisms</li> <li>Headline financials: turnover, income composition &amp; activities – recent history and projections</li> <li>Future plans: purpose, strategic goals.</li> </ul>	<p>Consider using a timeline to show key events/growth since date of establishment.</p> <p>Referencing any accredited specialists is valuable</p> <p>This section should reference more detailed financials in your overall submission.</p>
Risk Overview	<ul style="list-style-type: none"> <li>Brief paragraph regarding the risk profile of the firm, and how it identifies and manages risk</li> <li>Summary (bullets or table form) of key risks for the firm and how they are being addressed. If there are any issues that are existing concerns for your insurer or the subject of claims – flag them here, and refer to more detail later in the submission.</li> </ul>	Reference the practice's Risk Register. We suggest that an extract of the Register is included in the Appendix.
[Merger/Acquisitions/other major Changes if applicable]	<ul style="list-style-type: none"> <li>Rationale for the change</li> <li>Due diligence undertaken</li> <li>Management of the Change process (eg integration of systems and procedures and cultures)</li> <li>Firm Structure (reference how this helps ensure a well risk managed business).</li> </ul>	Include a structure chart if possible.
Claims	<ul style="list-style-type: none"> <li>Claims &amp; Complaints Management Philosophy &amp; Procedures</li> <li>Claims analysis (reference appendices of latest 10 year claims summaries for both firms). This should identify trends (consider the year work was undertaken, whether an individual or a team have been a common thread behind the claims, whether there are common patterns in the system and procedures failures).</li> <li>High value claims and commonly occurring errors should have evidence of honest and robust appraisal of the root causes (not 'we no longer undertake this work'/'the fee earner no longer works here') but needs to evidence – things like – audit of other files to ensure that this isn't the tip of an iceberg. Also that systems and procedures have been put in place (and are now working across the combined entities) which can be demonstrated to indicate that there is little chance of the same error arising again.</li> </ul>	<p>Contact your Lockton broker for an up to date claims history. Ensure that you allow sufficient time, ideally at least a couple of weeks, as this is often not straightforward to obtain, as there may be many insurers to contact, particularly if the practice has merged/become a successor practice.</p> <p>Even if you have significant numbers or values of claims, while it may not be possible to reduce your premium radically in one renewal, evidence that the practice has learnt from mistakes and implemented effective and robust procedures may make the difference between a 'no-quote' and a quote, or prevent ongoing increases in premium.</p> <p>Where a firm has a difficult claims record, Lockton can often assist in a number of ways to improve your record, and help reduce your premiums over an agreed period. Contact your Lockton Broker for more details.</p>

INSURANCE  
 The value of an asset is its market value determined in accordance with generally accepted methods or other generally accepted methods. Any liabilities of an insured are based on concepts, bases and...

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Governance, Systems & Procedures	<p><i>General overview</i></p> <ul style="list-style-type: none"> <li>• Management Structure of the Practice</li> <li>• Processes for Risk Management and identification: Risk Register; leadership and committee structures etc</li> <li>• Managing Compliance - the role of COLP/COFA in the practice.</li> <li>• Quality Accreditations (if you have Lexcel, demonstrate that it is not a paper exercise, but genuinely informs the way things operate, and reduces risk)</li> <li>• Communication (internally, and with clients)</li> <li>• Supervision.</li> </ul> <p><i>Specific Policies and Procedures</i></p> <ul style="list-style-type: none"> <li>• Conflict checking procedures</li> <li>• AML systems (and escalations). Try to evidence that this is an ongoing process through a transaction, not a one-off, that it is undertaken by trained fee earners, not support staff etc</li> <li>• Engagement Letters &amp; Scoping – how do your systems prevent work being started before there is an engagement letter?</li> <li>• Billing systems</li> <li>• Document Management systems– and their integration with other systems</li> <li>• Filing (e-filing, paper, archiving)</li> <li>• Case Management systems (eg for residential property, litigation, personal injury work)</li> <li>• Diary systems</li> <li>• File Reviews, Peer Review, File Audit</li> <li>• Sign-off procedures (on email, mail)</li> <li>• Information Security procedures</li> <li>• Business Continuity.</li> </ul>	<p>The larger the firm, or the more commoditised the work, the more important it is to be able to demonstrate that your practice operates robust systems and procedures. If you have a variety of departments or office locations, for example, how effectively do your systems and procedures operate across these departments/offices? How can you demonstrate this..</p> <p>In every case try to demonstrate not that you have a paper policy, but that it is a living, breathing, effective process – and that your systems reflect those policies – to act as the 'fail safe' for other 'softer' controls.</p> <p>Append relevant policies and templates.</p>
People	<ul style="list-style-type: none"> <li>• Recruitment – processes, quality controls</li> <li>• Training, and identification of development needs</li> <li>• Supervision</li> <li>• Whistleblowing</li> <li>• Support systems.</li> </ul>	<p>If you have a policy on recruitment of lateral hires, for example – highlight this.</p> <p>Supervisory arrangements are even more important if your firm has a high ration of fee-earners to partners.</p> <p>If you can illustrate how new starts (at any level) are supervised – both passively (location) and actively (reviews), this will provide helpful evidence of an effective risk management culture.</p>
Appendices	<ul style="list-style-type: none"> <li>• Extract Risk Register</li> <li>• Extracts from online systems (eg workflow systems, client relationship management systems if possible)</li> <li>• Template documents and example Guidance notes, checklists</li> <li>• Policies or procedures which support your submission.</li> </ul>	<p>Rather than simply reproduce your entire staff manual, we would recommend selecting key documents or extracts which address significant risk issues/areas where recent improvements have been introduced to address previous claims/complaints.</p>

**We have produced a template document which you can use to draft your Risk Management Submission, which is also available to download on our website.**

### Further Assistance

Our Risk Manager, Calum MacLean, has experience of assisting firms in addressing a number of risk management issues. If you believe that additional assistance would be valuable, contact your Lockton Broker, who can discuss your requirements further. Or contact Calum MacLean by email at [calum.maclea@uk.lockton.com](mailto:calum.maclea@uk.lockton.com).