



LOCKTON[®]

NEW SOLICITORS PRACTICE START UP

**HOW TO GUIDE AND BUSINESS PLAN
GUIDANCE NOTES**



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Introduction

The How to Guide and Business Plan Guidance notes provides you with an insight on how to best position your practice for Underwriters consideration.

If you follow the guidance within this document, you will be helping us ensure that we achieve the best possible Professional Indemnity Insurance terms for your firm.

Your Presentation to Insurers must contain the following Key Information:

1. Fully Completed Proposal Form
2. Comprehensive Business Plan
3. CV's of the Solicitors in the your new firm

As an intermediary, it is our responsibility to source from the insurance market the most appropriate coverage for your new practice's needs. When considering the appropriate coverage and selection of Insurer for your practice, we consider all of the contents of the information that you provide within your Insurer Presentation.

e.g. If you are setting up a new practice initially focussing on one particular area of work but in 18 months' time you are looking to develop the practice in another particular area of law it may not be appropriate to present your proposal form to a particular Insurer, as they may not favour firms which derive a significant percentage of their income from that area of law.

If you have any questions with regard to your Insurer presentations please do not hesitate to contact your Lockton representative or the Solicitors team on 0845 050 1471.



COMPLETING YOUR PROPOSAL FORM - 'HOW TO' GUIDE

Presentation of your Proposal Form

- Make a positive impression of your firm - It's your shop window, so use it effectively!
- A well-presented proposal can assist your broker when negotiating with insurers on your behalf

NB: Insurers can often refuse to quote or consider quoting based upon a poor proposal, E.g. illegible handwriting, coffee stains, inks blots and copious amounts of tippex.

Information and Disclosure

You have a duty of disclosure under English law which requires you to disclose all information which is known to you (or which ought to be known to you) in the ordinary course of business and which is material to the risk.

Information is material if it would influence the judgement of a prudent Insurer in establishing the premium or determining whether to underwrite the risk. Material information does not necessarily have to actually increase the risk of the insurance under consideration.

- Answer all applicable questions in the proposal form
- Ensure the breakdown of work types totals 100% and is listed in the right category
- Any Regulatory reports following visits or investigations from the regulator and other bodies must be included (remember that some of this information is publicly available, so please ensure that you disclose all relevant information)
- You must sign and date your proposal form
- If claims have arisen in a previous practice arising from work undertaken by, or supervised by someone who will be a fee-earner in the new firm, summary details of these claims should be provided. The summary should include: the area of practice; the alleged error; the outcome; sums paid out; what risk management measures you are implementing to help minimise the risk of similar claims occurring in your new practice
- It is perfectly acceptable and in fact encouraged to add additional pages to a proposal form. Just remember to make a clear reference to them under the relevant question



Risk Management Information

- What systems will you adopt to prevent claims occurring? How are these tailored to different departmental needs?
- Will you operate a 'no blame' culture in your firm and encourage fee earners to come forward and report potential claims early?
- Demonstrate what monitoring procedures will be in place to ensure that these are adhered to
- If your practice has invested in case management systems to improve efficiencies and prevent mistakes occurring (such as missing deadline dates and prompting you to ensure that you have done all that is necessary and expected of you in your duty as a solicitor) please include this detail in your presentation
- Articulate how you manage your business - referring to Chapter 7 in the Code of Conduct – Entitled "Management of your Business"
 - Specifically rule 7.8: "You must have a system for supervising clients' matters, to include regular checking of the quality of work by suitably competent and experienced people"
- If a solicitor has restrictions on their practicing certificate, you must provide this information with confirmation detailing how your practice will be ensuring that these restrictions are met
- How frequently will you have peer reviews?
- If you are a sole practitioner, will you 'buddy' up with another practice in the local area and review each other's files?
- Achieving an accreditation such as Lexcel, is often viewed favourably by insurers, where it forms part of a meaningful and demonstrable risk managed strategy. Even demonstrating that your practice is working towards these standards can influence insurers' perception of your firm
- If you have achieved any accreditations, include the certificate within your proposal submission and all future submissions
- Multiple Offices - For practices that intend to operate from multiple offices you need to demonstrate how these are managed and highlight how standards and supervision are maintained with consistency throughout the firm



BUSINESS PLAN – GUIDANCE NOTE

A Business Plan can be described as a document of your thought processes as you analyse your competition, the market, your operating expenses, management and staffing needs etc.

A business plan should serve various purposes. It can be used as a written document necessary to obtain a loan but more importantly, it is an analysis of your business that forces you to think about how well it will work.

It is a vital piece of information for underwriters when determining how viable your business proposition is, it is important especially with the financials to challenge if the numbers you envisage are possible, we recommend being conservative when estimating rather than be over optimistic.

A good business plan should be a well thought out and considered document and should include the following information:

Executive Summary

The executive summary should provide the reader with a sufficient overview of the entire business plan. The summary should include the purpose of the plan, business details, market analysis, marketing / sales strategy, organization and personnel and financial data. These are discussed in more details below.

Business Description

This should provide an overview of how all of the elements of your company fit together, in other words the origins, how, why's and wherefores of your proposed business:

- Why are you setting this business up?
- How much experience do you have in your chosen fields?
- What will be involved in the work you undertake i.e. contentious vs. non-contentious; blue chip companies vs. SME; targeting high net worth individuals vs. high street firm ethos.
- Your distinctive competencies – primary facts that will lead to your success



Market Analysis

This section should reflect your knowledge of the industry and present highlights and analysis of your market research.

- Industry description and outlook
- Target markets – do you have an existing client base or are you starting from scratch?
- Market test results – potential customers contacted, localities of other firms doing similar work etc.
- Any covenant restrictions on staff
- SWOT analysis

Marketing / Sales Strategy

The objective here is to describe the activities that will allow you to meet the sales / fees indicated in your prospective financial statements.

- Overall strategy
 - To include both Marketing and Sales strategies
 - 1 year goal; 3 year goal

Organisation and Personnel

This section must emphasise your management's talent and skills and indicate why they are a part of the company's distinctive advantage that cannot easily be replicated by your competition. In the case of sole practitioner entities, this will need to reflect your talent and skill-set.

- Management staff structure
- Key managers / list of qualified staff and their respective roles highlighting their PQE and their experience in running a firm, department or other businesses
- CV's for all qualified staff members
- Planned additions to the qualified / non-qualified team

Financial Data

- Current funding requirements – will you be funding this entity yourself, or through a bank loan? How much money will be needed to get the practice off the ground?
- Use of funds / consideration of overheads – will your practice be based from your home or will you be renting office premises?
- Funding requirements over the next 1-3 years
- Historical / prospective financial data (cash flow statements etc)



WHAT WILL LOCKTON DO FOR YOUR PRACTICE

Our role as your Insurance Intermediary is to help you manage and de-risk your business. A major part of this is sourcing for you the appropriate coverage at the best possible price and assisting you with your selection of Insurer.

Whilst we have exclusive facilities that no other broker can provide for you, we remain a truly independent intermediary. As one of the largest specialist PII brokers in the country we maintain excellent relations with those Participating Insurers that hold a financial rating. We believe that the security of an insurer is paramount; you can rest assured we will only ever look to place your insurance with carriers whom possesses a healthy financial rating.

Different Insurers have different market appetites and 'sweet spots'. We research the market in depth at regular intervals to ensure that we present your submission to all the most appropriate Insurers. Transparency is important, and we will make it clear which markets we will approach and why. We therefore ask you not to 'flood the market' with your submission – as this could prejudice our ability to obtain the best result for your firm.

Please note that this guidance note does not provide an exhaustive list of requirements but it should provide you with a useful introduction. For more information or assistance (for example, on how to complete your proposal form) please visit the [Guidance & Resources page](#) on our website, or [Contact Us](#). One of our dedicated Solicitors Team will be very happy to assist you.

AS A CLIENT OF LOCKTON

Lockton provide a service focussed and advisory broking service so we like to offer our clients more than just a transactional relationship and have developed a web-portal, in order to provide further value added for our clients. Besides our annual year round service orientated proposition provided by our dedicated team, as a client you receive secure access to the portal which provides you with:

- Secure place to store all of your Policy documents and renewal documentation
- Practical guidance and templates on risk management and regulatory and compliance matters within our extensive library
- CPD modules available to all of your fee earners and this is completely free-of-charge
- Online proposal form, making the renewal process far easier for you at subsequent renewals

Please visit our dedicated web site where you will find a short video tour showcasing some of the features contained within the portal.

www.locktonsolicitors.co.uk



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