

**Annual Report:**  
**The Law Society of Scotland Master Policy**  
**for Professional Indemnity Insurance and**  
**its Administration 2017**

Prepared by Lockton Companies LLP  
April 2018



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## **Introduction**

This Report encapsulates the facts, figures and statistics surrounding the continuity of The Master Policy for Professional Indemnity Insurance which provides broad protection to the Profession and consumers of legal services in Scotland in 2017.

Lockton, in our first year of a five year tenure as Broker and Administrator of The Master Policy, are proud to detail our achievements and services delivered to the benefit and satisfaction of The Law Society of Scotland Insurance Committee and the Profession.

Our dedicated team will be pleased to discuss any matter in further detail with any interested parties.



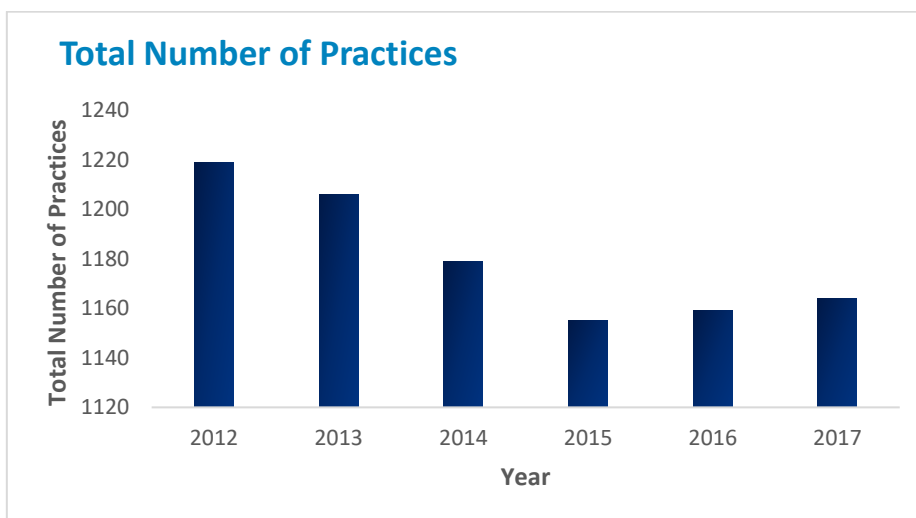
**Lorraine Boyle**  
**Managing Partner, Profin Regions**



## Demographics of the Profession in Scotland

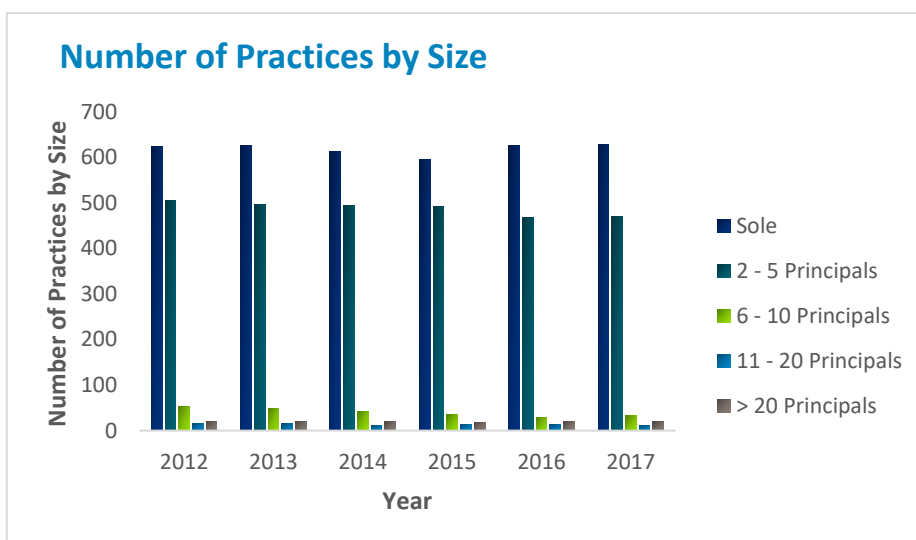
The following tables and graphs illustrate some key factors which influence the continued provision and cost of The Master Policy for Professional Indemnity Insurance:

### Number of Practices



Year	Total Number of Practices
2011	1215
2012	1219
2013	1206
2014	1179
2015	1155
2016	1159
2017	1164

### Profile of Practices by number of Principals



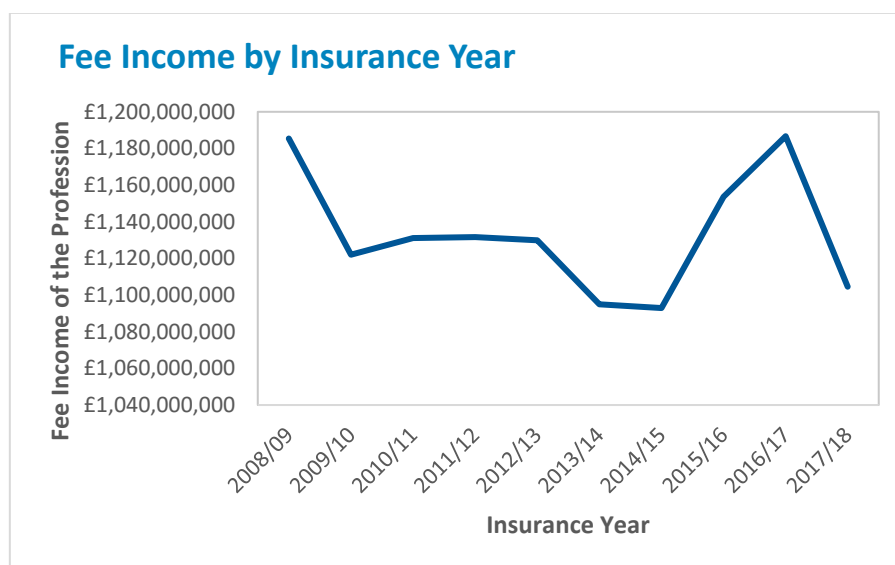
Year	Sole	2 - 5 Principals	6 - 10 Principals	11 - 20 Principals	> 20 Principals
2012	623	505	54	16	21
2013	626	497	48	15	20
2014	612	494	41	12	20
2015	596	492	35	14	18
2016	627	469	29	13	21
2017	629	471	33	12	19

## Number of Criminal Court Only Practices



Year	Number of Criminal Only Practices
2011	165
2012	171
2013	160
2014	159
2015	158
2016	166
2017	167

## Fee Income



Insurance Year	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Fee Income of the Profession</b>	£1,277,574,190	£1,185,382,894	£1,122,076,024	£1,131,083,470	£1,131,688,865
Insurance Year	2012/13	2013/14	2014/15	2015/16	2016/17
<b>Fee Income of the Profession</b>	£1,129,815,553	£1,094,897,597	£1,092,906,982	£1,153,646,493	£1,186,685,834

In 2016, as in previous years, the number of Principals and the fee income are determining factors in the calculation of individual practice's renewal premium. Rating is influenced by the percentage of property/conveyancing fees and the level of fees per Principals.

## Statistical Review of Intimations of Claims and Circumstances made in Master Policy period 2016/17

Actuarial analysis of the number of Intimations made and Claims paid and reserved are key factors influencing the total cost of The Master Policy for Professional Indemnity Insurance. The tables and graphics below detail snapshot positions over the period of time considered by Insurers in their pricing models for the 2016/17 policy year.

YOA	Number of Claims/Circs	Damages Paid	Costs Paid	Current Estimate	Third Party Costs Paid	Total Incurred	Third Party Paid
2016	522	£1,310,423.28	£270,821.33	£3,967,202.00	£6,526.02	£5,554,972.63	£1,316,949.30

Total Number of Intimations	522
Total Number of Claims	269
Total Number of Circumstances	253

Total Damages Paid	£1,310,423
Total Third Party Costs Paid	£6,526
Defence Costs Paid	£270,821

Current Estimate	£3,967,202
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Loss Ratio	30%
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Intimations by work type:

Cause	Number of Claims
Commercial	24
Corporate	10
Court	67
Duplicate Claim	14
Financial Services	19
General	18
Insurance	2
Not Yet Known	15
Property/Conveyancing	281
Tax Advice	3
Trust and Executry	70
<b>Grand Total</b>	<b>522</b>

Paid or Reserved Large Claims (£100,000+):

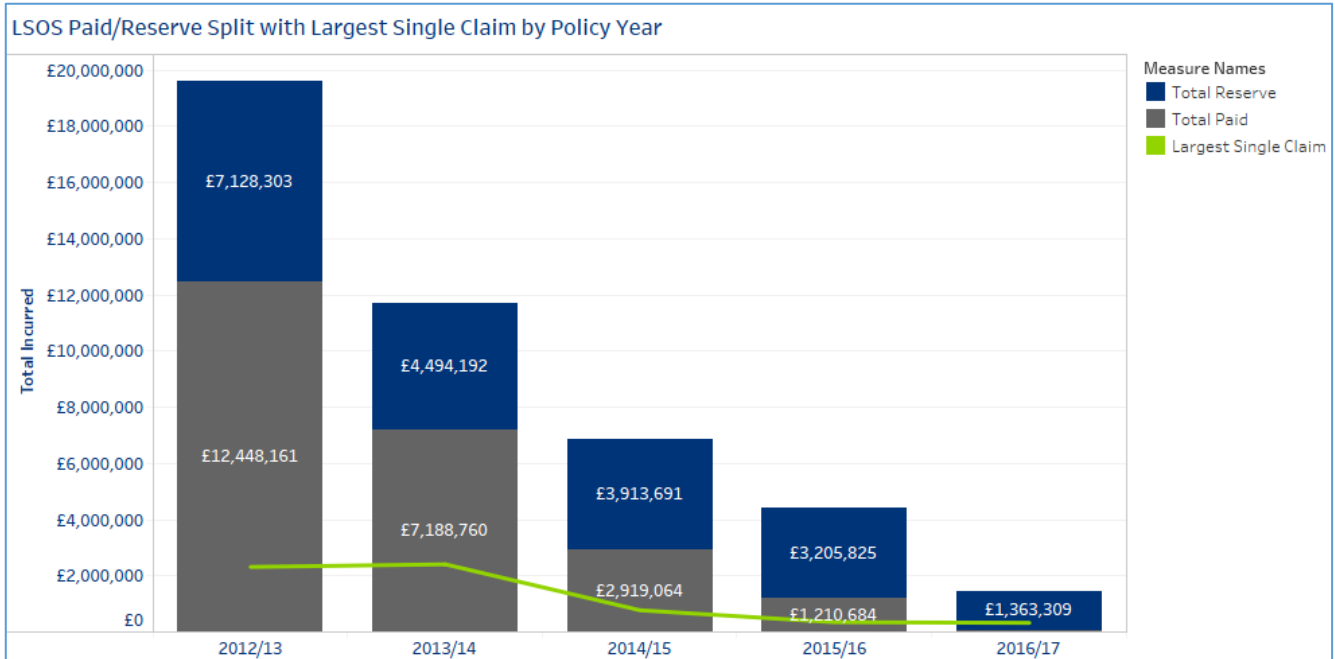
Cause Type	Damages Paid	Costs Paid	Estimate	No of Principals
Corporate	£331,617.40	£6,914.00	£0.00	3
Property/Conveyancing	£0.00	£7,616.00	£390,850.00	41
Property/Conveyancing	£0.00	£8,920.00	£180,000.00	2
Property/Conveyancing	£0.00	£0.00	£185,000.00	70
Fraud	£525,866.57	£945.50	£4,000.00	3
Court	£0.00	£13,421.00	£261,500.00	2
Property/Conveyancing	£112,871.60	£748.00	£1,000.00	2
Property/Conveyancing	£0.00	£4,004.00	£198,000.00	5
Property/Conveyancing	£141,376.32	£3,216.00	£1,785.00	35
Commercial	£0.00	£0.00	£400,000.00	5
Property/Conveyancing	£0.00	£0.00	£160,000.00	6

## Prior Years Data

Professional Indemnity claims and their resolution and settlement are “long tail” matters, so Insurers must consider the loss history of Insureds over a number of years as matters evolve.

The “Loss Ratio” of claims paid and reserved against the premium collected is another factor ultimately impacting the premium calculation either positively or negatively. Insurers set a “Risk Premium” to cover their losses. We present below some data considered and analysed forensically by Insurers and their actuaries when calculating the requisite Global Premium for The Master Policy on an annual basis.

In Appendix 1 we demonstrate the use of analytics by Lockton in negotiations with Insurers on The Master Policy.



Practice Size	YOA	Number of Claims	Total Incurred
Sole Principal	2012/13	127	£5,125,415
	2013/14	70	£2,035,327
	2014/15	56	£1,535,331
	2015/16	73	£1,102,024
	2016/17	49	£202,809
2 to 5	2012/13	131	£4,605,974
	2013/14	135	£3,692,857
	2014/15	82	£2,455,166
	2015/16	129	£2,024,338
	2016/17	105	£729,291
6 to 10	2012/13	19	£3,429,284
	2013/14	25	£1,243,318
	2014/15	14	£551,583
	2015/16	30	£464,896
	2016/17	16	£110,051
11 to 20	2012/13	8	£351,190
	2013/14	9	£116,839
	2014/15	18	£500,200
	2015/16	16	£198,613
	2016/17	8	£30,075
21 plus	2012/13	26	£6,064,601
	2013/14	27	£4,594,611
	2014/15	24	£1,790,475
	2015/16	52	£626,637
	2016/17	40	£360,460
<b>Grand Total</b>		<b>1,289</b>	<b>£43,941,366</b>

Practice Size	YOA	Total Incurred
Sole Principal	2012/13	127
	2013/14	70
	2014/15	56
	2015/16	73
	2016/17	49
2 to 5	2012/13	131
	2013/14	135
	2014/15	82
	2015/16	129
	2016/17	105
6 to 10	2012/13	19
	2013/14	25
	2014/15	14
	2015/16	30
	2016/17	16
11 to 20	2012/13	8
	2013/14	9
	2014/15	18
	2015/16	16
	2016/17	8
21 plus	2012/13	26
	2013/14	27
	2014/15	24
	2015/16	52
	2016/17	40

Policy Year	Premium	Claim	Reserve	TPR	Loss Ratio
2003/2004	13,716,050	9,702,887	10	9,702,897	70.74%
2004/2005	14,054,111	9,469,464	91,302	9,560,766	68.03%
2005/2006	13,299,184	10,137,724	-6,399	10,131,325	76.18%
2006/2007	12,934,412	14,062,394	195,645	14,258,039	110.23%
2007/2008	13,696,123	19,956,434	175,805	20,132,239	146.99%
2008/2009	14,622,779	16,428,142	534,510	16,962,652	116.00%
2009/2010	16,023,668	17,610,019	1,043,483	18,653,502	116.41%
2010/2011	16,743,826	14,480,888	2,836,106	17,316,994	103.42%
2011/2012	17,214,998	16,340,569	2,858,103	19,198,672	111.52%
2012/2013	18,067,177	12,448,161	7,128,303	19,576,464	108.35%
2013/2014	19,152,025	7,188,760	4,494,192	11,682,952	61.00%
2014/2015	19,855,859	2,919,064	4,099,371	7,018,435	35.35%
2015/2016	20,636,775	1,221,865	3,334,643	4,556,508	22.08%
2016/2017	18,147,433	69,377	1,364,309	1,433,686	7.90%

Five Year Rolling Totals					
Policy Year	Premium	Claim	Reserve	TPR	Loss Ratio
2007/2008	67,699,880	63,328,903	456,363	63,785,266	94.22%
2008/2009	68,606,609	70,054,158	990,863	71,045,021	103.55%
2009/2010	70,576,166	78,194,713	1,943,044	80,137,757	113.55%
2010/2011	74,020,808	82,537,877	4,785,549	87,323,426	117.97%
2011/2012	78,301,394	84,816,052	7,448,007	92,264,059	117.83%
2012/2013	82,672,448	77,307,779	14,400,505	91,708,284	110.93%
2013/2014	87,201,694	68,068,397	18,360,187	86,428,584	99.11%
2014/2015	91,033,885	53,377,442	21,416,075	74,793,517	82.16%
2015/2016	94,926,834	40,118,419	21,914,612	62,033,031	65.35%
2016/2017	95,859,269	23,847,227	20,420,818	44,268,045	46.18%

Ten Year Rolling Totals					
Policy Year	Premium	Claim	Reserve	TPR	Loss Ratio
2013/2014	155,808,303	138,122,555	19,351,050	157,473,605	101.07%
2014/2015	161,610,051	131,572,155	23,359,119	154,931,274	95.87%
2015/2016	168,947,642	122,656,296	26,700,161	149,356,457	88.40%
2016/2017	174,160,664	108,663,278	27,868,825	136,532,103	78.39%

3 Year Grouping					
Policy Year	Premium	Claim	Reserve	TPR	Loss Ratio
2003 - 2004	41,069,345	29,310,075	84,913	29,394,988	71.57%
2005 - 2008	41,253,314	50,446,970	905,960	51,352,930	124.48%
2009 - 2011	49,982,492	48,431,476	6,737,692	55,169,168	110.38%
2012 - 2014	57,075,061	22,555,985	15,721,866	38,277,851	67.07%
2015 - 2017	38,784,209	1,291,241	4,698,952	5,990,193	15.44%

As evidence of the “long tail” nature of the claims and the need for Underwriters to review rates in real time with updated historic data, we must be cautious of any significant movement in reserve or producing an increased settlement. For example, two claims arising out of Corporate/Commercial work have developed adversely impacting significantly on the loss ratio of 2012/13.

Lockton in any renewal discussion identified any large losses “skewing” position and minimises the impact on the Global Premium, where possible.



## **Claims Trends and Risk Management matters of note**

We can confirm that property/conveyancing continues to be the dominant cause of intimations made under The Master Policy. There is however a significant improvement overall on prior years – Appendix 2 illustrates the fluctuation in the number of intimations with specific detail on CML Lender position.

Lockton, The Law Society and the Profession are also concerned and on alert to External Fraud as an increasing cause of claims.

Insurers opine, “Fraud continues to be the most recent cause of claim under The Master Policy... (we) are likely to see a continuing trend of ever more sophisticated types of fraud; the recent spate of intercepted and falsified redemption statements from lenders. (We) are also seeing an increasing number of what may be described as “reverse” payment instruction frauds, where attempts are made to blame solicitors for the fact that their clients have sent money to a fraudulent account on the strength of instructions purporting to have come from Solicitors but which, in fact, have been intercepted and fraudulently altered. These claims tend to revolve around the question of whether the Solicitors in question have created the opportunity for the fraud to be perpetrated or failed to act on signs of something being not quite right”.

Over policy period 2017/18, Lockton and RSA will define and make relevant claims categorisations to enhance the analytics and use such more in depth detail to produce risk management protocols eg. on Letters of Engagement and Scope and on Prescription.

We also propose to highlight emerging trends in “real time” as such claims are intimated rather than present findings and methodology only once a claim is finally settled.

## The Master Policy in 2016/17

Lockton produced a Master Policy Guide for the Profession providing accessible and concise detail on the Principal Terms and Conditions of The Master Policy and its administration.

In the 2016 policy year, The Master Policy cover was arranged by the previous broker with underwriting capacity provided by RSA as Lead Insurer with several approved Co-Insurers. The 2016/17 participation was as undernoted:

Royal & Sun Alliance Insurance plc	43.76%
Argo Insurance (Lloyd's Syndicate 1200 AMA)	7%
Aspen Insurance UK Ltd	9%
Allianz Global Corporate & Specialty SE	18.24%
Antares (Lloyd's Syndicate 1274 AUL)	7%
XL Insurance Company SE	10%
AmTrust (Lloyd's Syndicate ATL 1206)	5%

On the following Principal Terms:

Limit of Indemnity: £2,000,000 Any One Claim, defence costs payable in addition  
Self-Insured Amount: £4,500 per Principal (as standard) x15 Annual Aggregate Cap (as appropriate)

The previous broker negotiated no substantive changes to the scope of cover for the 2016/17 policy period.

The only significant and material change to The Master Policy wording in 2016/17 was made to account for the introduction of The Insurance Act 2015 and its effect upon a practice's duty of disclosure and remedies available to Insurers for failure to disclose or make misrepresentation.

A Global Premium of £18,162,560 was negotiated by the previous broker.

The Global Premium allocation across individual firms and sole practitioners is calculated by the application of Rates and Rating Factors accounting for a range of factors including the demographics of the Profession, fees and claims.

Insurer for 2016 set the basic rate of premium at £5,400 per Principal.

## Master Policy administration and renewal process in 2017

Lockton assumed responsibility for administering The Master Policy on 1 January 2017 with a dedicated team in our Edinburgh and Glasgow offices on hand to work closely with the Profession on all Master Policy matters.

We were immediately accessible and supportive on prevailing issues. We have engendered open engagement with Insurers and Co-Insurers. Liaison with RSA as Lead Insurers, when required, is seamless with timeous advice on emerging matters.

In working toward Renewal 2017, Lockton enhanced “Digital Delivery” to the Profession – see Appendix 3 featuring some screenshots of the efficient processes introduced for renewal and risk management. We hosted Renewal Surgeries each week during September and October in our offices to ease the whole process for practices.

The perceived benefits of our online renewal process also featured in The Master Policy Guide.



In our first year administering The Master Policy, we have encountered some issues which as “lessons learned” we will address to the benefit of the Profession:

- Clarifying proposal form questions regarding “Domicile” and “Sanctioned Territories”
- Further simplifying the Rates and Rating Factors and Master Policy Wording eg. relative to Letters of Obligation

## **Risk Management Deliverables**

Risk Management is critical to the continuity of The Master Policy and Lockton, with The Insurance Committee, are delivering current and relevant material for the use of the Profession.

The Lockton Risk Management Strategy 2017 agreed with The Insurance Committee is shared with you in Appendix 3.

In brief, our Risk Management Strategy set out the following overarching objectives:

- to engage
- to educate
- to empower
- to encourage

## **Engagement**

The launch of our locktonlaw.scot website resource centre had an immediate impact and was a powerful sign of the Profession's commitment to Risk Management.

Within the first two months of our launch:

- We posted 36 pieces of content
- Our website has been visited by over 1,100 individuals
- 235 people had viewed our risk management webinars
- 213 people had viewed all/part of our Master Policy Guide
- 64 people read our conveyancing risk management guidance following the Mischon de Reya case
- 40 people accessed our guidance on starting a new practice
- 16 people have undertaken our Password security e-learning

We regularly send out Risk Management e-bulletins, raising awareness of some of the practical resources available on our website.

We have led AML workshops and we presented on many specific risks eg. conveyancing risks at The Society's It's the Law conference on 8 June and on Cyber risks at The Society's Annual Conference in September.

In our "Meet The Broker" roadshows across the country, we focused on Risk Management.

## **Education**

We have delivered all 5 webinars required for the current Practice Management Course, and materials for TCPD

We have delivered e-learning modules on cyber risk and information security. Guidance is provided on our website on:

- Wannacry virus action points
- Out Of Office messages and targeted phishing
- Invoice hijacking
- Identifying phishing emails
- Cyber protection

We have additionally provided information for law firm management advising on how to implement password requirements for work systems to encourage best password practices, and maximise effective security

The Phishing Exercise, which had 53 firms participate in the first phase in December 2016, was re-opened and extended, following discussions with NCC and RSA. A total of 119 firms ultimately took part. Reports were issued to all participating firms during April with practical follow-up support given.

A Phishing educational webinar was produced.

With increasing concern on the prevalence of Fraud Risk, a Risk Management Alert on banking telephone fraud was included in our June Journal article. An associated alert emailed to the Profession received 903 reads in 24 hours.

## **Empowerment**

Practical, actionable resources are at the heart of our risk management strategy.

We have launched template policies on information security to assist firms meet their compliance and good governance requirements

We have produced easily applicable best practice guidance on email security

We have published risk guidance identifying the most common causes of conveyancing claims, and highlighting simple steps to help mitigate these risks

## **Encouragement**

Risk Improvement Pilot Project:

Our Risk Management Strategy included a commitment to pursuing a pilot project to audit and provide advice and a risk improvement plan for “poorly performing practices”.

We have set out and agreed the parameters of the pilot project with RSA, and are in process of identifying practices to approach for the purposes of the pilot project.

Delivering current and relevant Risk Management advice, guidance, processes and protocols to the Profession is a business imperative for Lockton.

## Special Issues

Lockton is very proud of the support and service which we have delivered to The Insurance Committee and to the Profession in 2017.

In our first year of appointment as Brokers and Administrators of The Master Policy, we acted to address a number of previous issues and matters of concern:

- **Engagement with Master Policy Insurers**

We have engendered a more open engagement between The Insurance Committee and RSA as Lead Insurers and with the Co-Insurers, introducing additional capacity and competition.

We have enabled increased participation of some Co-Insurers stabilising the continuity of The Master Policy.

We have negotiated a “3 Year Deal” structure to the benefit of the Profession.

Parity of premium pricing was secured between Lead Insurer, RSA, and Co-Insurers whilst delivering on The Insurance Committee’s objective to reduce the Global Premium by 5% in 2017.

- **Relationships with the SLCC**

Open dialogue and exchange of information has fostered a stronger relationship with the SLCC.

- **“Happy Valley”**

Representatives of all interested parties were encouraged to settle this long running and problematic matter. The extent of loss, and costs and expenses incurred were met by The Master Policy Insurers.

- **Premium Finance**

A competitive premium financing solution was made available on an integrated basis for ease of access for the Profession at renewal.

- **Refund made of an over-collection of the Global Premium in 2016**

Lockton facilitated the repayment of an over-collection of the Global Premium taken from the Profession in 2016.

Lockton amended The Master Policy Certificate in 2017 to avoid any repetition of over-collection.

- **Risk Management Bursary**

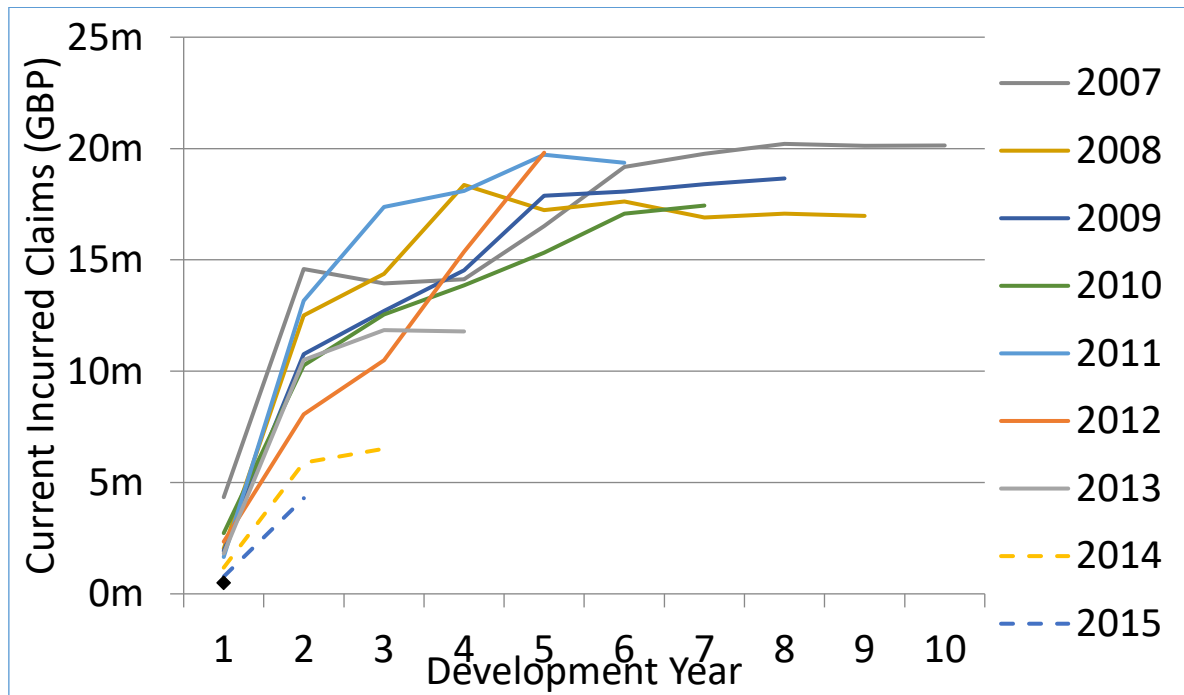
Lockton secured additional funding for Risk Management from Insurers. The Bursary has now been doubled and will be used to fund several initiatives of practical benefit to the Profession.

Acting in the best interests of The Insurance Committee and the Profession, Lockton have achieved many successful outcomes for all concerned in 2017.

## Appendices

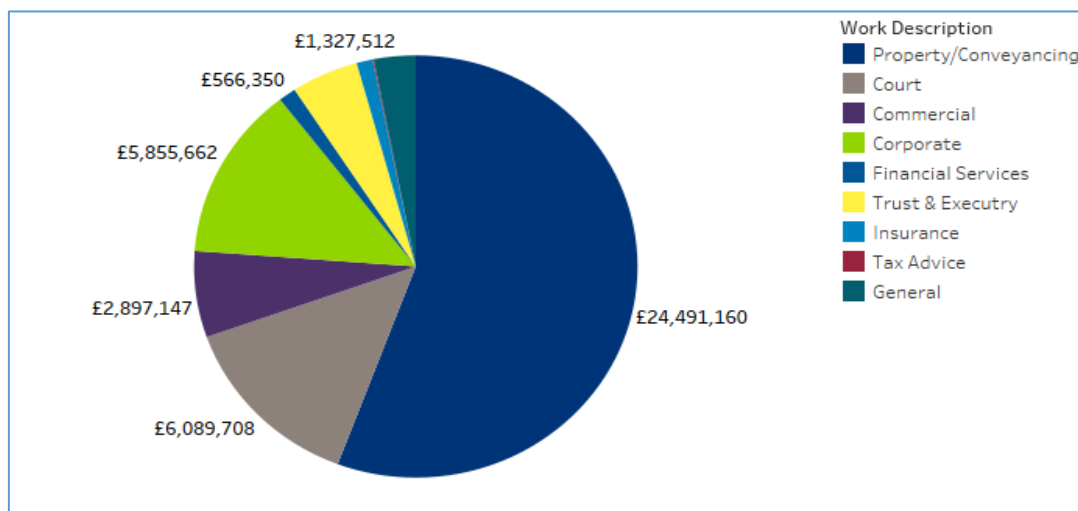
Appendix 1 – Extract of analytics from Lockton Submission to Insurers 2017

Our Actuarial Analysis below, projecting to ultimate (using standard chain ladder method), is very supportive of our contention that there has been a significant improvement in claims performance after the 2012/13 policy year. This must be reflected now in your pricing for the policy year 2017/18.



## Claims by Work/Causation type

Work Description	Number of Claims	Total Incurred
Property/Conveyancing	790	£24,491,160
Court	248	£6,089,708
Commercial	28	£2,897,147
Corporate	19	£5,855,662
Financial Services	14	£566,350
Trust & Executry	142	£2,164,152
Tax Advice	1	£41,923
Insurance	1	£507,753
General	46	£1,327,512
<b>Grand Total</b>	<b>1,289</b>	<b>£43,941,366</b>



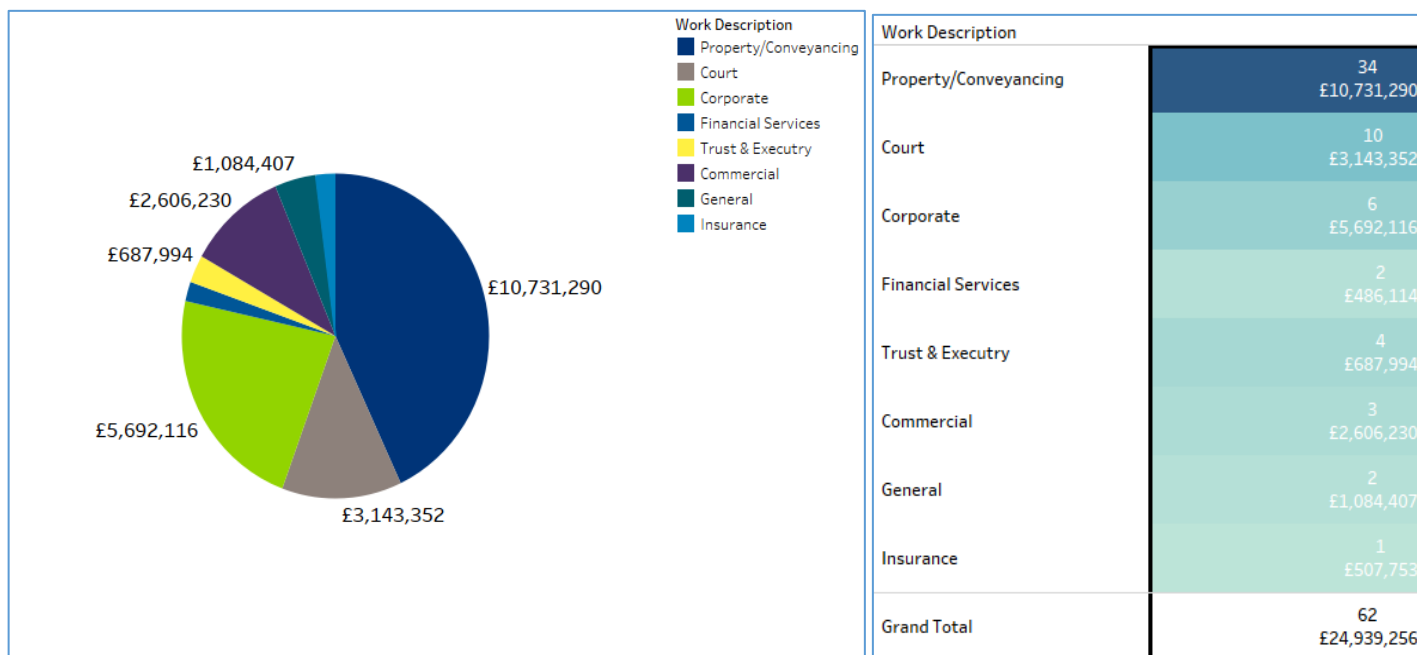
## Summary of large claims, value greater than £100,000 (split by Practice size)

Practice Size		2012/13	2013/14	2014/15	2015/16	2016/17
Sole Principal	Number of Claims	4	3	1	1	
	Total Incurred	£2,831,618	£358,944	£163,189	£129,904	
2 to 5	Number of Claims	6	3	6	5	1
	Total Incurred	£1,944,488	£391,153	£1,226,638	£859,938	£326,500
6 to 10	Number of Claims	3	3	2	2	
	Total Incurred	£3,130,793	£809,480	£321,624	£235,638	
11 to 20	Number of Claims	1		1		
	Total Incurred	£176,243		£129,996		
21 plus	Number of Claims	7	8	3	1	1
	Total Incurred	£5,805,267	£4,079,996	£1,482,847	£350,000	£185,000
Grand Total	Number of Claims	21	17	13	9	2
	Total Incurred	£13,888,409	£5,639,572	£3,324,294	£1,575,481	£511,500

## Summary of claims, value greater than £100,000

	2012/13	2013/14	2014/15	2015/16	2016/17	Grand Total
Number of Claims	21	17	13	9	2	62
Total Reserve	5,895,470	2,677,590	2,379,345	1,119,111	511,500	12,583,016
Costs Paid	1,973,016	917,653	318,665	73,548	0	3,282,881
Damages Paid	5,900,373	1,910,829	545,750	258,792	0	8,615,744
TP Costs Paid	119,550	133,500	80,534	124,030	0	457,614
Total Incurred	£13,888,409	£5,639,572	£3,324,294	£1,575,481	£511,500	£24,939,256

## Large claims over the past 5 years, split by work/causation type





**Monthly Schedule of Intimations**

	1	2	3	4	5	6	7	8	9	10	11	12	Total
2016/2017	21	43	47	46	44	44							245
2015/2016	29	21	25	31	41	31	36	36	23	35	62	75	445
2014/2015	32	47	34	30	38	25	29	40	41	15	56	88	475
2013/2014	40	32	38	55	46	59	83	48	48	37	53	138	677
2012/2013	43	52	68	56	67	46	49	61	32	29	31	183	717
2011/2012	43	40	62	46	77	53	86	60	66	82	63	354	1,032
2010/2011	37	27	47	85	71	32	49	41	53	59	76	272	849
2009/2010	50	34	41	44	63	57	64	63	82	46	49	332	925
2008/2009	47	56	166	36	108	68	53	71	64	55	49	151	924
2007/2008	55	36	55	55	35	50	50	72	60	82	73	221	844
2006/2007	69	43	70	58	82	52	65	53	53	43	77	179	844
<b>Total</b>	<b>466</b>	<b>431</b>	<b>653</b>	<b>542</b>	<b>672</b>	<b>517</b>	<b>564</b>	<b>545</b>	<b>522</b>	<b>483</b>	<b>589</b>	<b>1,993</b>	<b>7,977</b>

**Running total at the end of April each year**

	1	2	3	4	5	6	Total
2016/2017	21	43	47	46	44	44	245
2015/2016	29	21	25	31	41	31	178
2014/2015	32	47	34	30	38	25	206
2013/2014	40	32	38	55	46	59	270
2012/2013	43	52	68	56	67	46	332
2011/2012	43	40	62	46	77	53	321
2010/2011	37	27	47	85	71	32	299
2009/2010	50	34	41	44	63	57	289
2008/2009	47	56	166	36	108	68	481
2007/2008	55	36	55	55	35	50	286
2006/2007	69	43	70	58	82	52	374
<b>Total</b>	<b>466</b>	<b>431</b>	<b>653</b>	<b>542</b>	<b>672</b>	<b>517</b>	<b>3281</b>

The successive reduction in intimations since 2011/12 evidences the reduction in volume of CML/Lender claims. (There are notifications from one previous firm skewing the 2016/17 running total).

## Digital Delivery

Lockton will offer renewal of The Master Policy using our proprietary Online Proposal Form.

Already widely used and appreciated by our solicitor clients in England & Wales, we provide our client firms with secure online access to a dedicated client portal which not only provides them any time access to their insurance documentation, and any renewal alerts, but also allows access to their online proposal form.

For ease, the online form is partially pre-populated, and provides in-built guidance and error-checking, allowing for swifter and more accurate proposal form returns. Accuracy of data is further enhanced as double keying of data is avoided with data from correctly submitted proposal forms feeding direct into our secure database.

In 2018, Scottish firms will also be able to access claims and master policy benchmarking data via the online portal.

For more information on our portal, you can read the short article on our dedicated Scottish solicitors' website:

<https://www.locktonlaw.scot/news/introducing-mylockton-our-secure-client-portal.html>

### Screenshot of the online proposal form

**LOCKTON** Calum MacLean 0117 906 5018 | PRINT | HELP | BACK | LOG OUT

**SUMMARY** | A | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 1 SAVE PROGRESS

Amount of cover

Do you require alternative quotations based on a different total limit of indemnity?

**YOUR APPLICATION STATUS OVERVIEW** CONTINUE

Primary insurer: A-Rated | Indemnity (total): £20,000,000 | Renewal Date: 30th Sep 2015

<b>QA</b>	Select your Insurance Requirements	<div style="width: 100%; height: 10px; background-color: green;"></div>	EDIT
<b>Q1</b>	The Practice	<div style="width: 20%; height: 10px; background-color: orange;"></div>	EDIT
<b>Q2</b>	Changes to the Practice	<div style="width: 10%; height: 10px; background-color: grey;"></div>	EDIT
<b>Q3</b>	Principals & Staff	<div style="width: 20%; height: 10px; background-color: orange;"></div>	EDIT
<b>Q4</b>	Practising Certificate/Regulatory Issues	<div style="width: 10%; height: 10px; background-color: orange;"></div>	EDIT
<b>Q5</b>	Financial Information and Fees	<div style="width: 20%; height: 10px; background-color: orange;"></div>	EDIT
<b>Q6</b>	Areas of Practice	<div style="width: 5%; height: 10px; background-color: red;"></div>	EDIT
<b>Q7</b>	Conveyancing	<div style="width: 10%; height: 10px; background-color: grey;"></div>	EDIT
<b>Q8</b>	Personal Injury Questionnaire	<div style="width: 10%; height: 10px; background-color: grey;"></div>	EDIT
<b>Q9</b>	Litigation Questionnaire	<div style="width: 10%; height: 10px; background-color: grey;"></div>	EDIT
<b>Q10</b>	Corporate/Commercial Questionnaire	<div style="width: 10%; height: 10px; background-color: grey;"></div>	EDIT
<b>Q11</b>	Tax Mitigation/Avoidance	<div style="width: 10%; height: 10px; background-color: grey;"></div>	EDIT
<b>Q12</b>	Financial Services Questionnaire		N/A

**Progress of Application**

Issues Complete Not Started Incomplete

**Document Uploads:**

## Screenshot of online guidance and support

### How is my premium calculated?

Lockton negotiates a 'global premium' with insurers annually, as part of the Master Policy renewal process. This global premium is then apportioned between participating practices according to a transparent pricing formula, which takes into account several factors including: number of principals, fee income, and claims record. This continues to offer practices a much greater degree of price certainty for Practices than an open-market model.



The formula is based on:



Number of Chargeable Principals



Gross Fee Income



Work Types



Loss Ratio



Self Insured Amount

Master Policy renewal process



Notifying claims to Lockton

## Risk Management content

Resource Centre

Guidance



Guidance

### GDPR: 4 steps for managing data risk

Mar 28 2018  
Author Amy Bell

With GDPR coming into force on 25 May 2018, are you clear on how to manage your firm's data risk? Our practical guide for managing data risks with consideration for GDPR guides you through the 4 steps your firm can take. Click on the right hand side to download.



[Back to Resource Centre](#)

Author



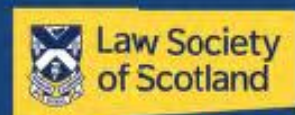
Amy Bell  
Risk Consultant for Lockton  
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Downloads

 [GDPR: 4 steps for managing data risk](#)

# Risk Management Strategy 2017

Lockton's Proposals to the Insurance Committee for  
enhancing Risk Management in support of the  
Society's 'Leading Legal Excellence' strategy



## *Table of Contents*

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## Strategy Overview



Effective Risk Management is essential for the long-term success of the profession, and is integral to delivering Legal Excellence and to ensuring a sustainable and affordable Master Policy for the benefit of the whole profession.

Risk Management is increasingly recognised as a critical part of the management of law firms, but it has not yet been effectively integrated into the way all firms work. To date, there has been little success in communicating the message to the firms that most need it or translating that message into practical action.



Risk Management needs to be understood and implemented as a business tool as opposed to a burden – and it needs to be more effective. We will deliver this, in close co-operation with the Society and Insurers, through a strategy of:





[HOME](#)
[MASTER POLICY](#)
[INSURANCE SERVICES](#)
[RESOURCES](#)
[OUR STORY](#)
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## Resource Centre... What Do You Want To Find?

Filter resources by subject area

Filter by Topic:

ALL TOPICS
AML
CLAIMS
FRAUD & SCAMS
FMP, OVER BENEFITS CONSULTANCY
INFORMATION SECURITY/CYBER RISK
LEGAL/REGULATORY CHANGES
LETTERS OF AUTHORITY\*
LITIGATION
LOCKTON NEWS
MANAGEMENT LIABILITY
OFFICE INSURANCE
MASTER POLICY
PROPERTY/COMMERCIAL/IND
RISK MANAGEMENT - GENERAL
RISK - STRATEGIC/OPERATIONAL

Type of Resource:


ALL RESOURCES
PROPOSAL FORM
CPD
GUIDANCE
NEWS

Format:

ALL
 NEWS
 OCCURRENCE
 TABLE
 PRACTICAL

FILTER

Or complete a text search  SEARCH




### Introducing MyLockton - our secure client portal

January 04 2017  
Author: Calum MacLean

Our client portal will launch in the next few weeks. We explain what you can expect to see, and the benefits it will bring.

[Read More](#)


#### Master Policy Guide



January 08 2017  
Author: Calum MacLean

Our straight-forward guide to the Master Policy provides a clear overview of what


#### Starting a New Practice Guidance



December 31 2016  
Author: Stephen Fogarty

If you are considering starting your own Practice, this guidance note is the best

#### Planning for Retirement




December 30 2016  
Author: Calum MacLean

If you are considering retiring, or simply want to close your practice, it is important

#### Popular Resources

- Don't forget to download your R policy (soon)?
- New guide to finding quality for claims.
- Are you at risk from allegations of a failure to advise?
- How easy is it to use Social Media?

#### Calendar



Next Event: loading...

## Engagement

Key Risk Management messages must be more effectively communicated to the profession. We will work with the Insurance Committee and the Society to achieve this as follows.

We will

- **increase the visibility and facilitate use of risk management resources** via our website. Our Scottish solicitors website is easy to access and search, and is designed to perform well from a Search Engine Optimisation perspective – and has an easily searchable resource centre.
- **use profession-wide bulletins and reciprocal links** between the Society's website and our own to promote relevant content and risk alerts
- **use the monthly Journal article to flag website content**
- **provide periodic hard-copy mailings** referencing Risk Management content to the profession
- **engage directly with poorly performing practices** to help them plan and implement risk improvement and direct them to relevant resources.
- **Use presentations at local faculties and in collaboration with the Society's CPD & Training team** to increase awareness of risk and the profile of Risk Management.

We are actively engaging with RSA (with meetings planned in early February) to discuss a co-ordinated Risk Management strategy, making best use of the available Risk Management bursary.

### Specific Deliverables for 2017

- 4 e-bulletins and one hard copy mailing flagging RM services
- Cyber Risk Evaluation Questionnaire and follow up reports
- 2 presentations at the Society's CPD & Training events
- Participate in review of Practice Management Course materials





Don't re-use passwords. One ultra-secure one won't be any good if someone finds it

M4raD0na



While combining upper and lower case passwords with numbers to alter a memorable word - M4raD0na - is often advised, these are more easily cracked than you might think



Good advice is to make a memorable, unusual sentence: "I am a 7-foot tall metal giant" is better than "My name is John", and use the first letter of each word with punctuation: "Iaa7-ftmg"



Alternatively, you can use a password manager such as 1Password, which can generate secure passwords and store them online



The best way to protect yourself is to use two-factor authentication, which will send a text with a code or use an app to verify your log-in



## Education

Awareness of risk is the single most important step in reducing the incidence of claims. Much of the CPD produced and consumed is of a 'tick-box' variety.

Our strategy is to make CPD easily accessible, relevant, targeted, and easy to consume. Our assessments, rather than passively test factual knowledge (which may often be of little practical benefit) will alert, and form part of the education process.

Recognising the requirement that CPD should reflect relevant learning and development objectives, we have modularised our CPD provision to enable solicitors to consume the content most relevant to their needs, rather than a predetermined set course.

Understanding that the most effective education arises from practical exercises, we have agreed with RSA to increase the number of Practices taking part in the simulated phishing exercise being undertaken by NCC Group.

### Specific Deliverables for 2017

- 5 webinars for current Practice Management Course
- Materials for TCPD
- 4 x 15 minute cyber risk, information security and fraud e-learning modules
- Conveyancing Risks e-learning modules
- Completing Simulated Phishing exercise, and hosting Phishing webinar





## Empowerment

Managers in practices require practical tools and guidance focused on solutions to specific problems or needs.

Generic risk awareness articles are of limited value for this audience (who tend not to have time to read them).

We have already commenced an exercise (working closely with RSA) to re-evaluate claims categories to make them more accurate and relevant. This will enable us to deliver more meaningful claims analytics to clients via our online portal, as part of a wider informatics and benchmarking process.

We will help firms convert the learning points arising from the current Phishing Exercise. We will provide action plans based on the Phishing Exercise results *and* a wider cyber risk assessment, to help address their most pressing system and procedure gaps and to identify priority training needs.

### Specific Deliverables for 2017

- Produce Risk Management Toolkit for newly established practices
- Produce actionable guidance on priority risk issues (eg cyber risk and conveyancing)
- Template policies and procedures in conjunction with Lexis Nexis

Information Security:  
**Management  
Assessment**



4+ How many clients do you hold bank details and other personal identifiable information for?\*

Up to 100,000  
 Over 1million

Up to 500,000  
 Don't know

Up to 1million

5+ Does your organisation provide advice or sell products and services online?\*

A Yes

B No

C Don't know

6+ Have you calculated the financial impact that a major network interruption or IT failure would have on your organisation?\*

Yes

No

7+ Have you assessed the risks of information security/cyber breaches on your organisation?\*

## Encouragement

Risk-aware Practices understand the benefits of properly implemented risk management. Many poorly performing Practices do not, and are unwilling to engage. The existing 'incentives' – such as a Master Policy premium discount of up to 18%, a loading of up to 325%, and a number of doubled and trebled self-insured amounts – have not proved effective.

Recognising that insurance should not be a 'regulator by the back door' it is nonetheless possible, and in the interests of the profession as a whole, to incentivise the uptake of meaningful risk management by poorly-performing practices.

We propose

- (i) **simplifying and streamlining the Master Policy rating process** and self-insured amounts – to make it fairer and more representative of the real risk profile (as noted in other papers presented)
- (ii) **re-introducing a revised version of the 'Practice Advisory Service'**, funded by insurers through their Risk Management bursary. Practices demonstrating a particular volume or pattern of claims would be required to engage with the service, and work to an agreed improvement plan as a condition of ongoing cover.

### Specific Deliverables for 2017

- Undertake initial trial of Risk Management consultancy programme for up to 5 poorly performing practices, using parameters agreed with RSA as lead insurer.



## Risk Management Plan 2017

<p><b>Journal Articles</b></p>	<ul style="list-style-type: none"> <li>▪ Password security</li> <li>▪ Safe use of email</li> <li>▪ Phishing</li> <li>▪ Starting a Practice</li> <li>▪ Claims trends</li> <li>▪ Conveyancing Risks – update</li> <li>▪ Supervision, Appraisal, Training</li> </ul>
<p><b>CPD</b></p>	<ul style="list-style-type: none"> <li>▪ Introduction to Risk Management</li> <li>▪ PII &amp; the Master Policy</li> <li>▪ Cyber risk, Information Security &amp; Fraud</li> <li>▪ Bespoke workshops for firms</li> </ul>
<p><b>Events</b></p>	<ul style="list-style-type: none"> <li>▪ Data Protection conference *</li> <li>▪ Conveyancing conference *</li> <li>▪ Annual Conference *</li> <li>▪ Local faculty training events</li> <li>▪ Diploma seminars</li> </ul> <p>* participation in the Society's CPD &amp; Training team events</p>