

MARCH 2018

LPM

LEGAL PRACTICE MANAGEMENT

FACING THE STORM

We live in an increasingly unstable world. How do SME firms manage risk better to survive and grow in this environment?



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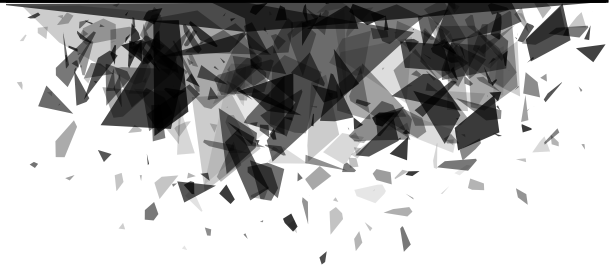


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RISKY BUSINESS

Firms know all about risk when it comes to helping clients avoid, mitigate, suppress and dodge it wherever possible. But who does that for the law firm itself? The world is becoming increasingly volatile and yet I often get the feeling that firms don't allocate the resources necessary or spend nearly enough time on preparing their own business for the worst – which is crazy. Not only is there a survival incentive but there is a monetary one too – practices that can show they take risk seriously are more likely to be offered attractive premiums by their PII insurers.

That's why we've launched this supplement as a guide to help law firm managers better buttress their firms against the barrage of threats facing them – whether that be by resourcing risk in the right way, with people or technology, or using the latest 'gamification' ideas to drive best practice into employees' heads.

This supplement wouldn't have happened without the support of our sponsors, so a big thank you to **Thomson Reuters**, **DocsCorp**, **Paragon** and **Encompass** for making it possible. [LPM](#)

Patrick Wingrove, supplement editor
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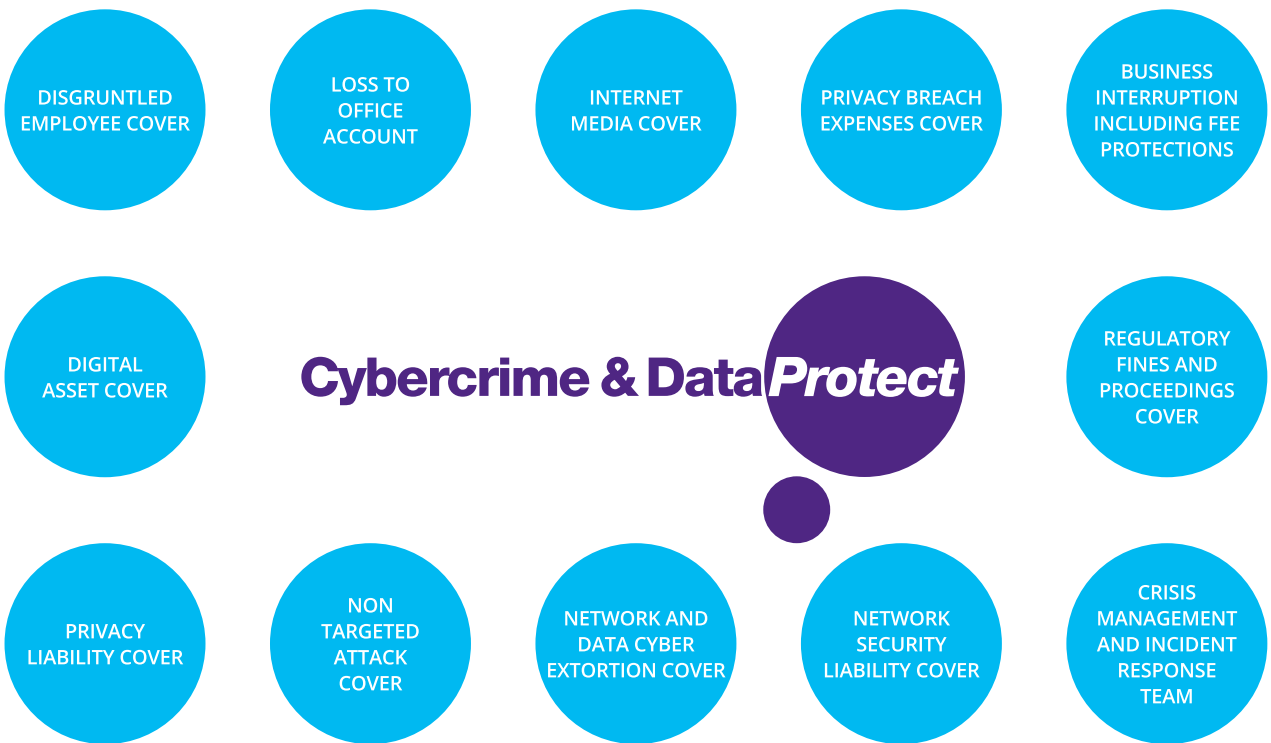
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Bad stuff happens – the trick is not to be a victim. Patrick Wingrove speaks to SME legal leaders to find out how firms can crush their risk management

It seems that almost every other morning, business leaders wake up to another worrying story about an organisation that's been hit by disaster. Last month, for example, we saw that the Winter Olympics' website went offline and TV and internet systems were disrupted for 12 hours after it was hit by a cyberattack. We suspect that there will have been plenty of other disaster stories – or at least articles forecasting catastrophe – since this supplement went to press.

It's not hard to see why commercial calamity so often appears in the papers. Companies have always had to deal with the prospect of disease, environmental crises or financial instability running rampant and hampering operations. Today they must also battle a barrage of cyber threats, such as digital crime, failed

systems or data breaches.

In many ways, the world of commerce is more vulnerable and volatile than ever before, and the SME legal market isn't immune to the increased instability. Simon Slater, CEO at London firm Pemberton Greenish, says there are plenty of new and old threats out there that are likely to be keeping legal management leaders awake at night.

"Every law firm has its own set of priorities, of course, but there are threats that are common to all practices, and which will likely feature highly on their agendas. Money laundering and cybersecurity are currently big concerns, and since law firms are people-based organisations there's always the risk of losing key members of staff." Jamie Abrahams, operations director at London firm Harold Benjamin, adds that the EU's

upcoming General Data Protection Regulation is likely also a top priority for firms.

“Most of our risk focus is currently on the GDPR. We’ve been working on it for over a year now and are getting systems into a position where we can manage risk in the future.”

Of course, firms must find a way to survive and grow in this environment. The key to that challenge is ensuring that the firm has robust risk management processes and people to run them to help it avoid, mitigate and suppress threats.

It’s the fee earner’s job to do that for clients, but who does that for your firm? Hint: there’s no fairy godmother. Then, how do you ensure those people report on risk properly? A new trend is emerging of ‘gamifying’ risk management training, so perhaps SME law firms see mileage in that.

Those firms that improve their risk management can reap rewards beyond mere survival. A well-managed business is typically a more efficient and competitive business, and often has lower overheads, since better claims records lead to lower professional indemnity insurance rates.

EXTRA HOT RESOURCE

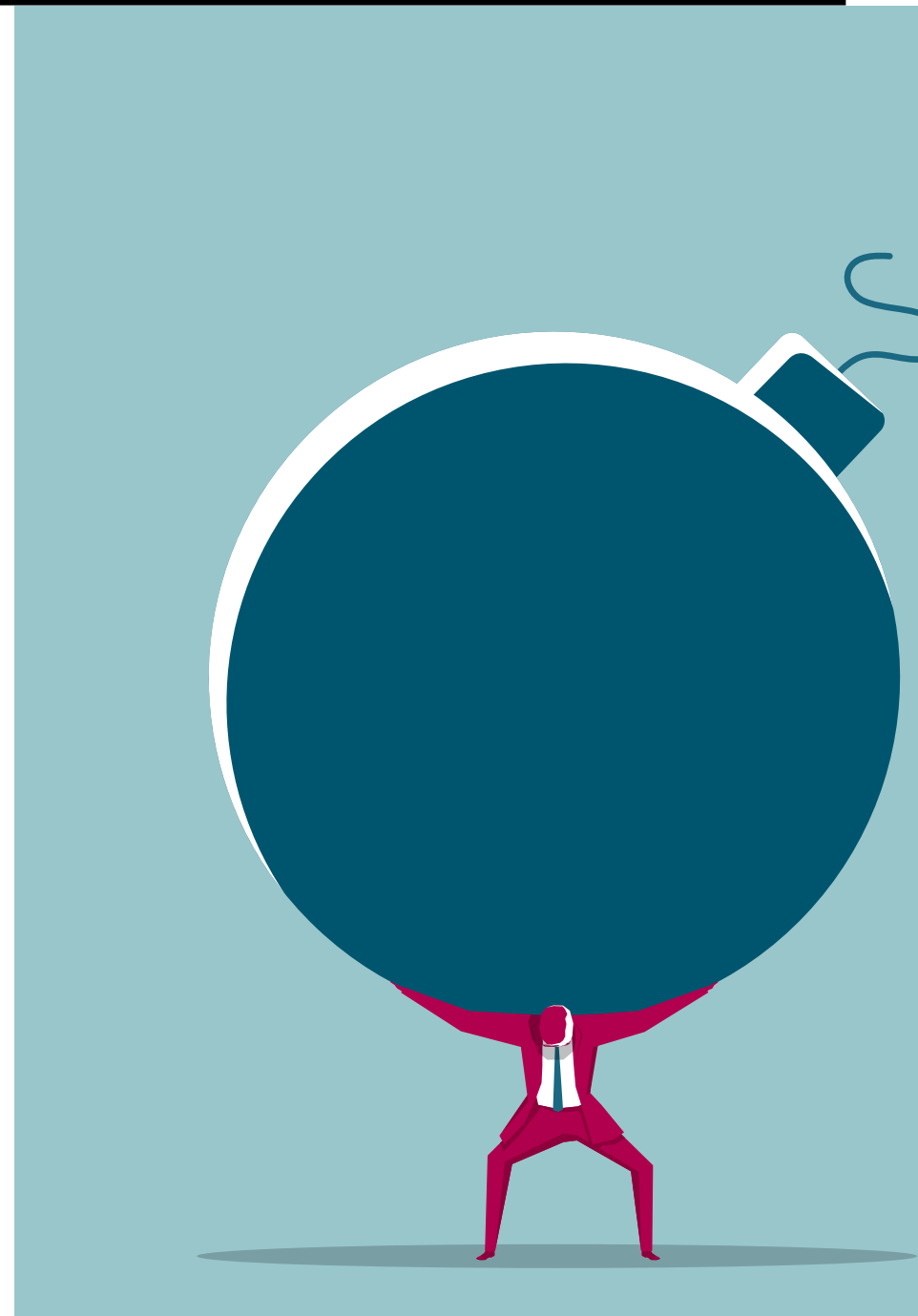
The first challenge for legal businesses in risk management is how to resource it. SME firms don’t necessarily have the resources to employ a dedicated risk manager – and the notion of a whole risk department is but a fantasy for most – but some sort of risk framework needs to be established nonetheless.

The trick, of course, is placing accountability with the right people. Mike Cubbin, CEO at Essex firm Gepp & Sons, says his firm’s risk resource strategy has been to give responsibility to a few key members of staff.

“Our COLP oversees the risk review process within the firm, but I, in a sense, perform the tasks of a risk manager within my role as CEO. Our compliance manager has also been tasked with keeping an eye on our risk outlook. We also hold a quarterly risk review meeting, which is attended by key people from each department.” He adds that risk management resource should be defined and rigidly structured. Slater at Pemberton Greenish agrees with Cubbin and adds firms might want to consider setting up a dedicated risk committee.

“Firms need a committee made up of people with defined roles – and not just the roles they are required to have by law. Such a framework will ensure the firm monitors risk properly and keeps abreast of any changes.” He adds that his firm’s committee is comprised of deputies, a data protection officer, money-laundering reporting officer, money-laundering compliance officer, and a senior paralegal in charge of ensuring file reviews happen.

“When people work in this kind of structure, it makes reporting much easier. Since risk is better covered, we won’t lose a lot of money through

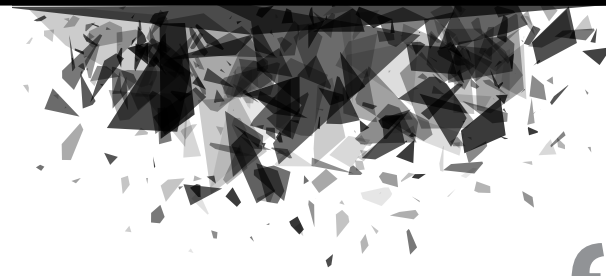


“Firms need a committee made up of people with defined roles – and not just the roles they are required to have by law.”

Simon Slater, CEO, Pemberton Greenish

claims or face a rise in our premiums. But more than that, the presence of a committee sends a signal to our practitioners that the firm takes risk management very seriously and that there’s an expectation on them to follow the right policies and procedures.”

And making sure employees understand their role in risk management is important, since responsibility ultimately falls to everyone in the business. Duncan Edwards, COO at Berkshire firm



“ *The message we send very strongly across the firm is that risk is everyone’s business. Everyone is accountable to a degree.* ”

Duncan Edwards, COO, Pitmans Law

Pitmans Law, says that while the firm’s risk profile is essentially managed by the COO and managing partner at his firm, risk management is shared among the entire workforce.

“The message that we send very strongly across the firm, which employees have reacted to very well, is that risk is everyone’s business. The firm has a virtual team of people who monitor risk on a regular basis, such as the finance team and me, but everyone is accountable.”

TECH A RISK

Risk resourcing doesn’t stop at people – the provision of technology also plays a part in how well threats are managed. Firms can invest in solutions that mitigate the potential for disaster, whether that’s likely to come from cybercrime, money laundering or the long-term loss of key members of staff. Edwards at Pitmans says that since his firm has a speciality in corporate work, data breach is a key risk for it – so the leadership decided to invest in a robust set of IT security protocols.

“We have a good level of security coverage in place to stop malware or hackers getting anywhere near our production line. And we have a good regular internal communication campaign, which we organise through our email systems, and we use that to inform employees about changes to the cybercrime landscape.” He adds that firms should base tech investment on their high-priority risks.

“If the firm does a lot of international work, where lawyers are constantly travelling to meet clients, then travel disruptions might be the biggest risk for the firm. In that case, they could invest in agile working technologies to ensure fee earners can work from wherever they can find a decent internet connection.”

As well as tech solutions that address specific threats, firms can also resource risk management with systems that help manage risk. Richard Clark, COO at Manchester firm CFG Law, says that firms can more easily reduce the risk of disaster if they’re better able to monitor threats. “We use a system that helps us keep track of the key risks to the business. Those can then be looked at from the basis of their impact on the client and on the firm and its reputation.” Cubbin at Gepp & Sons adds that such technologies are particularly useful for SME firms without a risk manager or dedicated risk department, because they will automatically prompt staff to undertake the right processes at the right time.

“For example, our solution flags up when

certain risk goals haven’t been achieved by certain deadlines once the client comes in. And because we know that, we can more easily get our people digging into the issue and getting to the bottom of it.”

NEED FOR SPEED

The ultimate outcome of good resourcing, of course, should be the ability to report on the strategic and financial impact of risks – and fast. The sooner risks are brought to light or effectively analysed, the safer the firm will be, so firms should have systems in place to help them do that – whether they be tech- or file-based.

Slater at Pemberton Greenish says a core risk management tool at his firm is the traffic-light system. “Traffic lighting helps us categorise risk by the level of danger it presents to the firm and how prepared we are for it – it’s essentially a form of risk triage. If something is classified ‘green’, it’s under control. ‘Amber’ requires a watchful eye, and ‘red’, of course, means fundamental improvements to policies and processes need to be made.”

Edwards at Pitmans adds that firms may also want to issue categorisations that enable risks to be looked at from a firm-wide perspective.

“Categorisations are about making sure the business has an appreciation for risk at different levels and an understanding of what is within and outside the firm’s control. It enables us to look at risk from a client, operational and strategic perspective and ensure that the main areas of the business are covered. We need that because the risk you see in the property market, for example, may be radically different to that in the pensions market.”

Of course, an effective risk analysis can’t be carried out unless the right processes and policies are in place to ensure staff actually report as they’re asked. Cubbin at Gepp & Sons says processes must be put in place to cover risk issues such as client complaints, for example.

“We have a staff handbook which guides staff through the process of reporting when they feel that something isn’t quite right. One thing I did when I came to the firm was to produce a flowchart to make it easier for staff to know what they need to do.”

But Abrahams at Harold Benjamin points out that it doesn’t matter if the right processes are in place if staff are afraid to report when something goes wrong.

“It’s about encouraging people to self-report, and the only way you can do that is if you



“I am not convinced about gamification in the slightest. But I have a good friend from university who has a PhD in change and leadership, and she’s a huge advocate of it.”

Richard Clark, COO, CFG Law

operate a blame-free culture. We drum it into our staff that if they put their hands up when something has gone wrong they won’t face the imminent wrath of the leadership.

“Obviously, we do take some actions, depending on what has gone wrong – but ultimately the message is that if you hide it and it later comes out of the woodwork, the consequences will be much more severe.”

PLAY THE GAME

But ultimately staff won’t know how to report and mitigate risk if they aren’t effectively trained. Slater at Pemberton Greenish says training is an integral cog of the firm’s risk management mechanism. “Since risk management ultimately comes down to everyone in the business, they need to know what to do and what to avoid. Our training tends to be quite topic driven – it might be money-laundering, client due diligence or the GDPR. We’ve retained a specialist compliance lawyer to advise us, and part of that involves giving training to the firm.” The trick, he adds, is making sure that the training is interesting enough to keep employees engaged and give them a better chance of remembering their training at crunch time.

One way training might be made more interesting is through gamification – when

employees are taught risk management through the structure of a video game. But the jury is still out on that one. Abrahams at Harold Benjamin says the concept might seem a bit tacky to well-educated people in law firms.

“We’ve used multimedia resources for training in the past and most people thought it was rather gimmicky and a bit of a novelty. I suspect that people would think the same thing about gamification.” Clark at CFG agrees with Abrahams that that should be a concern for law firms, but admits the concept might still have merit.

“I am not convinced about gamification in the slightest. But I have a good friend from university who has a PhD in change and leadership, and she’s a huge advocate of gamification. I personally haven’t given it the time of day but I know I need to spend more time looking at it.” Edwards at Pitmans, on the other hand, sees considerable mileage in gamification and says it could enable risk training to reach a higher standard.

“I’m a big fan of the idea. The benefit of gamification is that it makes a rather dry subject much more interesting and allows people to see risk from different perspectives because games often put people into different personas.”

Risk is a tricky thing for firms to get right because it’s enormously complex and time-consuming, and it’s become much harder in recent years. But if firms can crush their risk management through the development of processes and policies and good resourcing, they should be able to avoid becoming a victim of bad stuff. And testing out ways to make training in a rather dry subject a bit more interesting wouldn’t go amiss. [LPM](#)

FIRM FACTS

Pemberton Greenish

Revenue: £12m

Corporate status: LLP

54 fee earners, 92 total staff

Offices: London

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CFG Law

Revenue: £4.5m

Corporate status: LLP

46 fee earners, 75 total staff

Offices: Stockport, Cheadle

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Pitmans Law

Revenue: £20m

Corporate status: LLP

135 fee earners, 175 total staff

Offices: Reading, London, Southampton

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Gepp & Sons

Revenue: £6.4m

Corporate status: LLP

41 fee earners, 95 total staff

Offices: Chelmsford, Colchester

FIRM FACTS

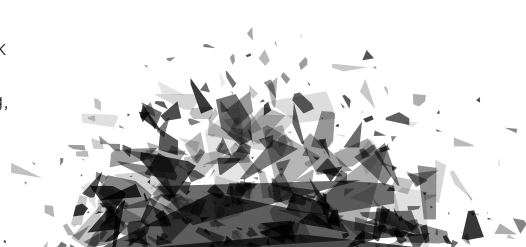
Harold Benjamin

Revenue: £9.2m

Corporate status: LLP

53 fee earners, 86 total staff

Offices: Harrow, London





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MORE ACCURATE, LESS RISKY



Kirsten Maslen, head of small law firms at Thomson Reuters, outlines how firms can reduce risk by ensuring greater accuracy in document production

What does risk management mean to a law firm? Essentially, it means keeping clients happy by providing a good service within the law and rules set by the profession. In those terms, many factors apply to managing risk, but perhaps one of the biggest and most troublesome is human error. So, how do firms go about reducing mistakes made by people?

Lawyers can provide less-than-optimal advice for various reasons. They may lack awareness of the law or recent or imminent changes to it or be prone to inadvertent mistakes, such as using out-of-date precedents. Fee earners may also lack knowledge of the client's market, which means the advice they provide is irrelevant or inappropriate, or they may use inefficient

processes which lead to high costs.

LEGAL KNOW HOW

So, let's start with legal knowledge. A high level of understanding of the law is what enables lawyers to provide a valuable service to clients – but the law is constantly changing and fee earners must use resources effectively to maintain and update their knowledge.

There are many ways to do that, including signing up to Thomson Reuters Practical Law and Westlaw UK alerts, and reading law, government and regulator reports and briefings published by law firms and chambers. Lawyers might also use other mediums, such as webinars, podcasts and e-learning resources, or attend conferences and training sessions.

2

The average number of hours a lawyer spends on drafting each day

90K

The number of lawyers in private practice in England and Wales

£1.6bn

The amount of billable time written off in relation to drafting

A key challenge for firms is making sure new knowledge finds its way into precedents. This knowledge management is time-consuming, but systems, such as Practical Law, provide up-to-date coverage of new law and ensure any consequential changes are made to its precedents – so you can be sure our templates are up to date.

The Law Society's last legal services sector forecast predicted comparatively modest growth in the legal services market for the next three years. Contributing factors include Brexit, which presents threats and opportunities to the legal sector, and a predicted 8% reduction in residential conveyancing transactions from 2016 to 2017, which is not predicted to recover in the short term. With these challenges ahead, firms need the right tools to support them, including a solution that enables lawyers to get up to speed quickly in 28 practice areas and easily follow the latest developments in the law.

It's important for law firms to get hold of information even before it becomes news. Last year we introduced functionality to Westlaw UK to enable lawyers to track versions of a bill and see how it could impact existing legislation. This ability is essential for those firms advising clients on lobbying activities, upcoming or proposed changes to the law, and any transitional arrangements to mitigate the impact of Brexit.

In addition, lawyers are going to need to keep track of an increased amount of secondary legislation coming out of government departments as they create rules in a whole range of areas previously governed by Brussels. Tools such as our

interactive Brexit timeline on Practical Law will be heavily relied on. "The depth and breadth of the information available on Practical Law mean it is my primary tool when carrying out legal research. I find the practice notes particularly helpful and the fact they are maintained provides peace of mind that they contain the most up-to-date information," says Richard Burgess, a solicitor at Lester Aldridge.

DON'T DODGE THE DRAFT

Much of a lawyer's product is a document of some sort, such as an email, contract or court document. As such, it's a risky area for firms because documents need to be accurate. Accuracy depends on a lawyer having the right tools to create and perfect those documents. And as the legal services market competes to offer clients more cost-effective and targeted services, more firms are using tools which save them time and reduce risk.

Over four-fifths of clients surveyed (86%) in our 2016 small and medium law firm survey, who had used a small law firm in the previous year, were happy with the quality of advice they had received. But those with criticisms cited three sources of frustration: communication, cost and speed. Tools such as up-to-date templates and proofreading tools can speed up the drafting process and alleviate these complaints.

BUSINESS EFFICIENCY

Richard Susskind became famous in the legal world for advocating the need for systematisation in law as a means of delivering cost-effective legal services. That

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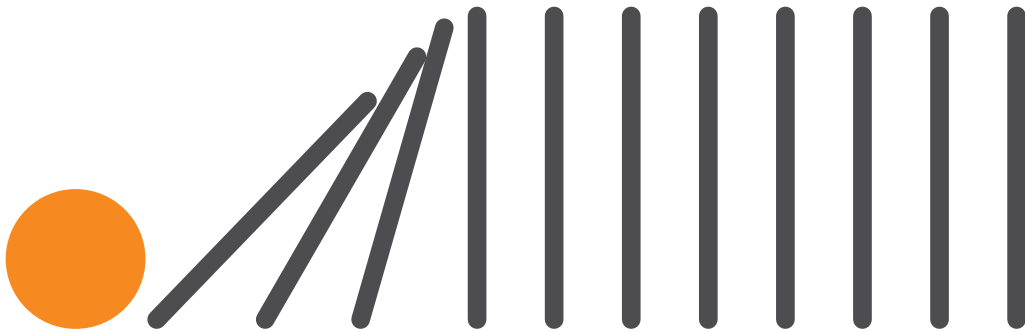
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THREE STEP RISK REMOVAL

Kirsten Maslen at Thomson Reuters outlines three ways to reduce risk when drafting documents

- 1 Start with a good template. Check out Practical Law’s standard documents. It’s probably what lawyers on the other side are using. A subscription to Practical Law will show you the underlying drafting notes enabling you to quickly identify the approach taken by the document.
- 2 Embed your experience into the template. How do you capture your experience into your processes? Automating your templates and building up a playbook within the template itself - your approach to advising clients on specific issues - is invaluable. Junior lawyers can quickly create final or near-final documents, guided by the questions and drafting notes which can be built up matter by matter to create a single all-purpose precedent.
- 3 Proofread. Yes, there are tools to do this too. Drafting Assistant, which is integrated with Practical Law and Westlaw UK, is one such tool which checks citations for accuracy as well as cross-referencing and the usual formatting gremlins. Our customers reported that Drafting Assistant reduced time spent proof-reading by 65%.

* Quicker contracts: a case study from Kerman & Co - info.legalsolutions.thomsonreuters.co.uk/cecasestudy

DOCUMENT AUTOMATION BENEFITS



Control risk



Improved cost clarity



Time savings/efficiency



Sharing of legal knowledge



Focus lawyers on adding value not routine drafting



Easy to update



Data capture



Higher standard of work



Competitive

“ Any work which relies on a template can benefit because step-by-step questionnaires ensure documents are always tailored appropriately to the circumstances. ”



position has been largely accepted by firms that have embedded best practice into workflows, templates and know-how.

One of the best examples of systematisation is the process of document automation, which can be done through tools such as Contract Express. The most obvious benefit is saving time and therefore cost of drafting by speeding up high-volume work.

Document automation is not just good for high-volume work. Any work which relies on a template can benefit because the step-by-step questionnaire ensures the document is always tailored appropriately to the circumstances. By creating templates, you also reduce the risk of human error involved in creating documents manually each time you need them. And if the matter is complex, triggering multiple related documents, such as schedules, letters or licences, information entered is replicated across that package of documents – ensuring higher accuracy while saving valuable time.

HELP YOURSELF

Technology incorporating workflows or decision trees is increasingly used by traditional law firms and new entrants to the legal services market to provide additional services. Chatbots such as Do Not Pay, a free

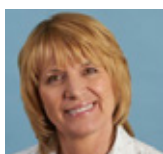
tool that helps users challenge parking fines, could be seen as a threat to firms – since they show how legal information can be delivered through automated questionnaires.

But some legal services providers are building services based on this technology, whether as a marketing tool, a client value-add, a ‘freemium’ service, or as the basis for a monetised service, such as Rocket Lawyer, which enables its clients to create legal documents based on templates for a monthly subscription.

Contract Express can power a client portal where clients are guided through a questionnaire that populates first drafts, or even a suite of first drafts, making that first stage of taking instructions and producing first drafts quicker and more efficient. Or it can also allow clients to fully self-serve, for example by compiling certain routine documents such as services contracts or confidentiality agreements.

These tools can enable law firms to design services which meet clients’ needs for responsiveness at scale and so differentiate the firm from its competitors. Or, at a minimum, they can be used to save fee earners time by assisting with onboarding, triage or the creation of first drafts. [LPM](#).

COVER TO COVER



Janice Ward, practice director at Larcomes, reflects on how her firm's decision to hand its professional indemnity insurance search to Paragon gives it long-term security and stability

Wouldn't it be an ideal world if lawyers could operate without risk? Well that is clearly not the case, which is why every UK law firm is required to have professional indemnity insurance (PII).

But because firms are forced to buy it, many see it as an 'expensive compliance' requirement rather than a vital piece of armour to protect it should its risk management fail to prevent disaster.

In the current landscape of political volatility and commercial uncertainty, it's perhaps more important than ever for practices to get the right cover and at a competitive price - especially for those undertaking high-risk work.

Janice Ward, practice director at Hampshire firm Larcomes, says that getting the right cover was essential for her firm because much of its work, such

as residential conveyancing, is classed as high-risk.

"As I'm sure anyone involved in residential conveyancing will tell you, because of the complexity of conveyancing transactions, things can and do go wrong. A key priority for us was to get comprehensive cover to mitigate the potential damages involved in our work, and with a partner who understands conveyancing and is happy to manage that risk and support us in the work we do."

But with the increasing threat of cybercrime, she adds, PII may no longer be enough. "The EU's General Data Protection Regulation is just around the corner, and PII won't cover firms for a data breach. So another product we were keen to get a deal on was cyber insurance."

She says that having a partner that is well-connected with insurers and has a good knowledge

“ *The time and interest that came out from the team at Paragon made a huge impact when it came to our PII renewal, and in the end it was clear that Paragon was the way to go.* **”**

of the market means the firm can focus on doing its day job. “The time and interest that came out from the team at Paragon made a huge impact when it came to our PII renewal, and in the end it was clear that Paragon was the way to go.”

INSURER HANDS

Ward says that the key benefits of working with Paragon were the broker’s strong product and market knowledge and its understanding of how solicitors and law firms operate. But perhaps the most important factor for Larcomes was Paragon’s willingness to establish a solid relationship.

She says: “When you buy PII, you’re buying a relationship not just a product. It’s ongoing. We constantly have to deal with issues and negotiations with claims, and we need general support for our business, such as looking at due diligence and training on how to reduce claims and notifications.”

As well as its conveyancing work, Larcomes also has a successful commercial arm which is being expanded, particularly in land acquisition and corporate commercial work. But Ward says that, as part of this, the firm deals with work for mesothelioma sufferers (a cancer sometimes found in people exposed to asbestos) and works closely with a charity called the Hampshire Asbestos Support Action Group.

“It helps a lot of sufferers with their personal injury claim. And that is very challenging, specialist work and requires a lot of work locked up for quite a long time with disbursements and heavy court fees and sometimes engineer or medical reports.

“All of that work has to be funded. We get paid after judgement when the client gets their payout, but that can take time and is

often challenged.”

Ward says: “When it came time for us to renew our PII the first time, we actually chose to stay with the ‘devil we knew’ so to speak and didn’t jump ship to Paragon. But because of the good relationship with Paragon and the care they took with me, it was always at the back of my mind. PII relationships are a slow burn”

It all comes back around, she adds. In order for the market to stay strong and keep the firm’s head above GDPR and claim waters, PII needs to be worry free.

THAT CYBER STUFF

Cybercrime has hit headlines more consistently over the past few months; from scares to scandals, it’s becoming an increasing threat and firms need to cover against it. And since choosing to go with Paragon LawSelect for Larcomes’ PII, the firm has gone on to purchase its cybersecurity insurance as well.

Paragon provided not only professionalism and expertise when dealing with Larcomes, Ward says it showed a genuine interest in the firm and its needs. “With Paragon, you see that there’s a common goal and that you’re working towards that together as a partnership. And the great part about having Paragon cover our PII and now cybersecurity insurance is less hassle on my part to organise all of that for the firm.”

Law firms can no longer ignore the very real threats surrounding cybersecurity and how they manage their clients’ data.

Larcomes has its cyber threats covered and now with combined cover from Paragon on cybersecurity and professional indemnity insurance, the firm is set to deal with the issues that come out of work itself. **LPM**

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YOU'VE GOT ACCIDENTAL MAIL



More and more leaks are happening because of human error. Ben Mitchell, vice president at DocsCorp Europe, sets out how firms can minimise email risk

In early 2017, human error accounted for more than half of the data breaches reported to the Information Commissioner's Office (ICO). The mistakes were ones we've all made before, such as sending an email to the wrong person. But those errors will have serious consequences once data regulations are tightened under the EU's General Data Protection Regulation (GDPR).

But there's no way firms are going to stop using email to communicate both internally and with clients. So, the challenge for firms in 2018 is how they protect themselves from inadvertent data breaches without complicating the way they use email.

In the past, email product add-ins were unattractive to firms. They slowed down email servers, causing them to crash, and left users feeling frustrated. We listened to our legal userbase when it came time to develop cleanDocs, our metadata cleaning tool for Microsoft Outlook. And we listened to them again when we developed its new robust email recipient checking function. Now, firms can protect themselves against accidental leaks through email in two ways - using only one solution.

We have all done it. Either we've clicked 'reply all' when we only meant to send the email to one person, or we've mistaken a person for someone else. Autocomplete can easily get it wrong if you have, for example, more than one Sarah at your office. When emails are sent to the wrong person it's usually a little embarrassing - but it becomes damaging when the attachments or the email body itself contain someone's personal information.

The GDPR means firms will need to protect against common email errors to avoid fines of 4% of their annual turnover or €20m - whichever is larger. With this in mind, we added a robust email recipient checking function to cleanDocs so that mistakes are fixed before they can cause a data leak. Now users can work quickly without risking accidental breaches.

As soon as the user clicks send, cleanDocs will assess the list of recipients for any domain names that are external, public or potentially risky. The sender must confirm that any addresses flagged by the technology are the intended recipients. Firms can also customise the solution to add more or less protection, such as flagging 'reply all' or 'reply' to an email with BCC behaviours.

And what about removing hidden information from email attachments? Any document created in Microsoft Office will have its own set of properties - known as metadata. Metadata tells the reader more than what is typed on the page. It can tell them who created the document, how much time they spent editing it and even what comments were made in track changes. Exposing this type of information could not only be damaging to a firm's reputation, it could also constitute a data breach if it contains sensitive information.

For law firms, attachments can contain especially damaging data. Think what would happen if a lawyer emailed a spreadsheet of billing information containing hidden cells. Hidden objects and cells can be recovered by the reader if they aren't cleaned first. Releasing a file with both metadata and hidden



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DocsCorp is the leading provider of productivity software for document management professionals worldwide. More than 3,500 organisations rely on its software every day.

www.docscorp.com



data can result in leaked information if that attachment ends up in the wrong hands.

Removing this data from attachments means that the recipient will only be sent what they would see printed out on a piece of paper. The cleaning functionality in cleanDocs can wipe these hidden cells, and any other metadata attached to a file, before it leaves the user's inbox. Sub-second cleaning speeds means the removal process won't slow down email servers or cause user frustration.

The cleaning function works hand in hand with email recipient checking to give users complete control over what they are sending and who they are sending it to. What's more, both measures are delivered through one

product, one Outlook add-in, and are shown on one screen. Preventing accidental data disclosure should be every firm's top security concern for 2018. The GDPR gives citizens more rights to how their data is captured and managed and places even more responsibility on data holders to keep it secure. Saying "I made a mistake" won't get firms off the hook.

With the right solution, preventing inadvertent email data breaches can be done simply. Let staff continue to work quickly but safely by partnering with a technology provider that can provide all the necessary tools in one easy-to-use product. Send the right information to the right person every time and remove the risk of accidental leaks. **LPM**



FOR SOMEONE TO KYC



Wayne Johnson, CEO at Encompass, delves into who should be responsible for anti-money laundering risk management in an SME law firm

There is an interesting debate surfacing in the light of the EU's Fourth Anti-Money Laundering Directive around how involved senior partners should be in carrying out know-your-customer (KYC) checks.

Increased focus on anti-money laundering and counter-terrorist financing regulation has escalated the importance of such checks within law firms – but at what cost? Fee earners are important to firms because of their ability to generate revenue by winning clients and servicing their legal needs. So, is it an effective use of their time to be onboarding clients when the new directive has made it a more time-consuming and cumbersome task?

The flipside, of course, is that leaving onboarding to juniors or secretaries can result in more information being requested from the client, delaying the process or losing the client altogether. It can also open opportunities for error which could lead to fines from the industry's regulators.

From personal experience of speaking with law firm leaders, I find there is indeed a concern around evaluating a new client's risk and who is best qualified to do it. The argument for partners to onboard customers is relatively simple – having brought them on through their business development activities, they will know the client well and have built an existing relationship. As such, it's easier for them to request the relevant documents and ensure that everything is in order before moving into the proposal stage.

There are equally solid reasons for partners not participating in the KYC process. The time they spend looking at customer information on databases or spreadsheets is time that could be spent bringing in new business or doing more valuable work.

There is then an argument about who is best placed to undertake the KYC checks to ensure compliance with demanding and strict legislation. Since the process of carrying out these checks has

traditionally been about checking and re-checking information held in databases or spreadsheets (which isn't a partner's principle role) manual error may occur because they are unfamiliar with processes that need to be followed.

That said, partners should also be more familiar with the client and the legislation than more junior colleagues and therefore better placed to execute a KYC policy. By contrast, junior staff members may not yet have accrued the expertise to evaluate risk correctly, which could expose a firm to a potential compliance breach. Their time is, arguably, not as valuable as a partner's, but there is a strong economic case for having less-senior colleagues undertake onboarding.

Today, many firms have found a compromise that recognises the value of a senior member's time while also ensuring that their sign-off is required before a client can progress. Checks will often be carried out by a mixture of junior staff and centralised compliance teams, with high-risk clients being escalated to the money laundering reporting officer.

Whichever method your firm decides to use – whether it's a partner or junior colleagues in isolation or a hybrid of the two – it's imperative that it's done correctly. The money laundering regulations that came into force last year are the strictest ever seen, with regulators having the ability to fine or sanction law firms.

In order to stay compliant with the new regulations, it's essential that law firms have a flexible, formulated and verifiable KYC policy check in place that takes clients who will require enhanced due diligence into consideration, such as politically exposed persons. Critically, firms will not be able to discriminate against those that can't be onboarded by simplified due diligence alone,

thus illuminating the efficacy of the policy.

For law firms who are looking to simplify customer onboarding and save time and effort in the process, there are solutions. By using technology, senior partners or more junior colleagues can onboard clients with the greatest of ease. Software-as-a-service tools can be used to run policies without human interaction – so it doesn't really matter who's running it. Technology provides firms with opportunity to involve senior lawyers in the KYC process and leverage their unique expertise with minimal impact on productivity.

Alternatively, compliance can be completely centralised without impacting vital communication of client details between compliance professionals and fee earners. Finally, it allows complete oversight of due diligence tasks being carried out by junior staff members. Applying automation to the KYC process provides assurance that your internal policy is fully adhered to, irrespective of who conducts the search.

Firms vary in sizes and specialisms across the country – some prefer partners to conduct the KYC checks, and others delegate to junior colleagues or central teams to undertake it.

What can clearly be seen, however, is that those who utilise the power of automation provided by technology save on time and money, and lower the risk of not complying with money laundering regulations down to virtually zero.

The consequences of not complying with the new regulations is too great to leave in the hands of any one individual or team, and for that reason it is far more efficient to have technology undertake the process on your behalf. And in this regard, whoever does the KYC checks, technology can't fail to get every facet of the process correct. **LPM**

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Encompass Corporation provides KYC software to legal and accountancy firms to ensure consistent and robust AML and CTF compliance – ensuring your firm is regulator-ready.

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