



**Legal Practitioners  
Indemnity Insurance  
Fund NPC**

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# MANAGING RISKS IN A LEGAL PRACTICE

30 MARCH 2019



# Agenda

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This presentation covers:

1. Risk management in the broad South African environment;
2. The need for risk management in legal practices; and
3. Practical examples of risk management measures that practitioners can consider



## The South African risk environment

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The Institute of Risk Management South Africa (IRMSA) has rated the top 10 risks as:

1. Structurally high unemployment
2. Growing income disparity and inequality
3. Failure of governance in the public sector
4. Unmanageable fraud and corruption
5. Inadequate and/or substandard education and skills development
6. Energy price shock
7. Labour unrest and strike action
8. National policy uncertainty/instability
9. Cyberattacks (ransomware, algorithm shutdown of the internet of things)
10. Macroeconomic developments

The IRMSA report is one of a number of risk surveys issued by players in the industry, including risk consultancy companies and audit firms

## The South African risk environment continued

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- Legal practitioners do not operate in a vacuum and are thus affected by the broader business risk environment
- The ranking of the risks (and the risk types) vary according to the various reports
- It will be noted that a number of the risks listed in the IRMSA report talk to the theme of the conference
- Some of the surveys list industry regulation as a risk
- Macro-economic factors also affect legal practices- it will be noted that, in South Africa and many other jurisdictions internationally, increases in professional indemnity claims against professionals coincide with a slow down in economic growth (as happened during the general financial services crisis in 2008)



# The importance of risk management

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## Risk management:

- Is part of the standard of professional conduct legal practitioners are expected to meet (e.g. Rule 54 (Accounting rules), the need for internal controls (Rule 54.14.7), the verification of bank accounts before making payments (Rule 54.13))
- Protects the practice and clients
- Avoids the payment of claims and deductibles
- Will lead to a decrease in insurance premiums payable
- Protects the reputation of the profession
- Must be an integral part of the DNA of a legal practice
- Can be distinguishing factor between one practice and the broader pool in a time of increased competition- entities outside of legal practice now offer legal services



## Some suggested risk management measures

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Some essentials are (more detail is available on the risk management section of our website [www.lpiif.co.za](http://www.lpiif.co.za) or click on the link <https://lpiif.co.za/risk-management-2/risk-management-tips/> ):

- Letters of engagement- regular verification of you mandate
- Clients and FICA – do you really want to take the matter on? Do you have the time, appetite and capacity to deal with the matter?
- Compliance with Rule 54.13 in of payments to clients and verification of payee bank account details
- Internal controls in terms of Rule 54.14.7
- Developing minimum operating standards/ standard operation procedures
- Strategies and working plans
- Diary systems/file notes/ file order
- Rules of supervision
- Management of trust funds
- Communication rules
- Delegation of authority and segregation of duties
- Checks & balances e.g. file audits
- Purchasing appropriate additional insurance cover (e.g. top up professional indemnity, cyber risk, misappropriation of trust funds, public liability, fidelity guarantee, commercial crime, property and assets, BBB, 'key man (person)' risk cover)

Thank you

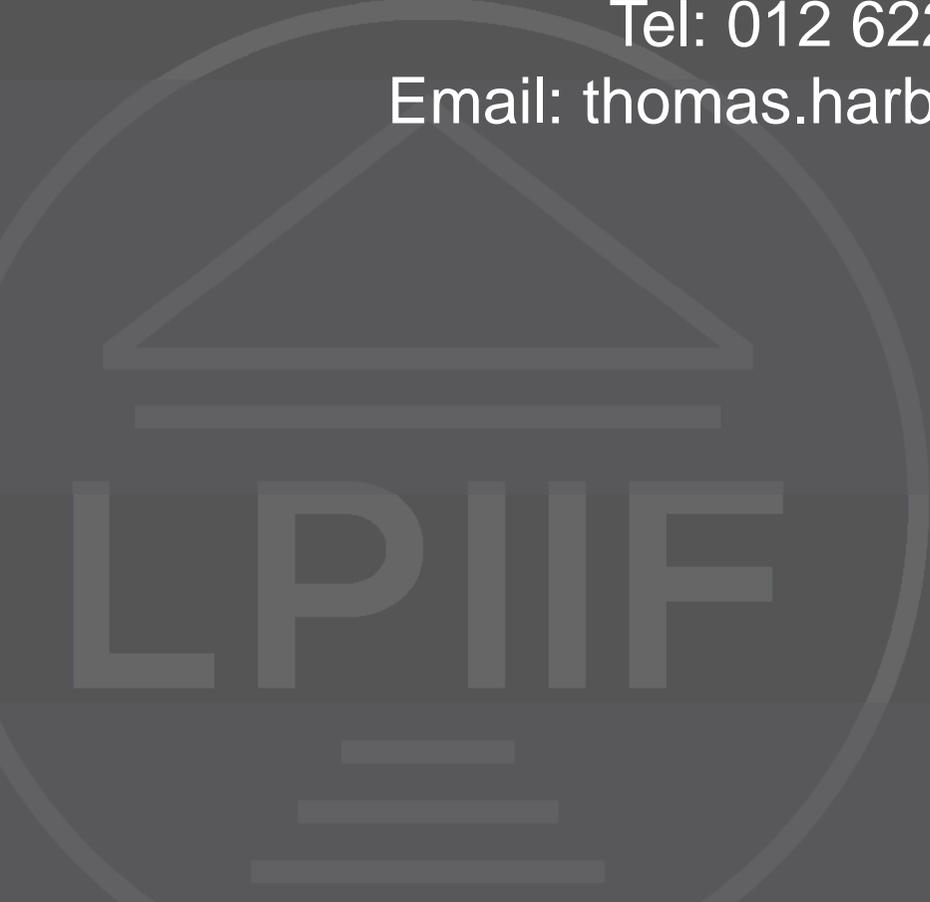
My contact details are:

Thomas Harban

Legal Practitioners' Indemnity Insurance Fund NPC

Tel: 012 622 3928

Email: [thomas.harban@lpiif.co.za](mailto:thomas.harban@lpiif.co.za)

A large, faint watermark of the LPIIF logo is visible in the background. The logo consists of a stylized building with a triangular roof and three horizontal lines below it, all enclosed within a circular border. The letters 'LPIIF' are prominently displayed in the center of the logo.

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