

# MARSH



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## **Law Society of England & Wales Assigned Risks Pool (ARP) Review of Law Firms**

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## Assigned Risks Pool (ARP)

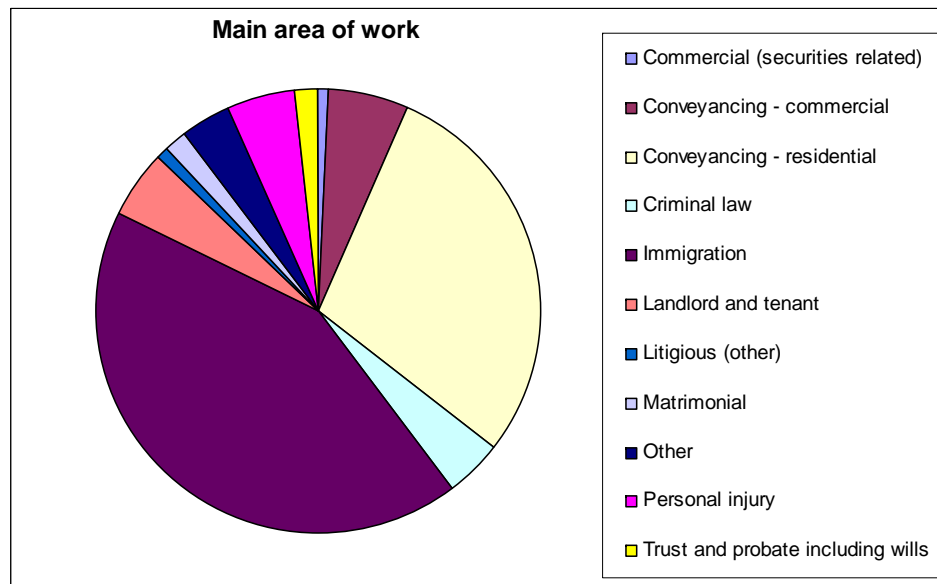
### Introduction

- Law firms in England and Wales may consider participating in the Assigned Risk Pool (ARP) if they are having difficulties purchasing PI insurance in the market.
- We have summarised and analysed available information on firms participating in the ARP in order to provide a summary view of the main characteristics of such firms.
- The data has been provided in the following spreadsheets:
  - “*ARP Application Review.xls*” (Data on 259 firms provided by the ARP manager)
  - “*Ethnicity status 2009-10 ARP firms 18-12-2009 firm detail.xls*” (Data on 231 firms provided by the SRA)
  - “*Ethnicity status 2009-10 ARP firms 29-01-2010 V1.1.xls*” (Data on 231 firms provided by the SRA)
- Please note that our observations are based solely on the data supplied and we have not made any comparisons against other law firms or insurance schemes, as such benchmark information is not readily available.
- In Section 1 we have summarised and graphed data referring to the following characteristics:
  - Main Area of Work
  - Location
  - Staffing
    - Number of employees
    - Gender
    - Ethnicity
- In Section 2, we look more closely at the differences between the BME and Non-BME firms, in the following areas:
  - Outstanding Claims
  - Areas of work
  - Revenue per Partner
  - Length of time since establishment
  - Firms with multiple offices and few partners
  - Partners qualified overseas



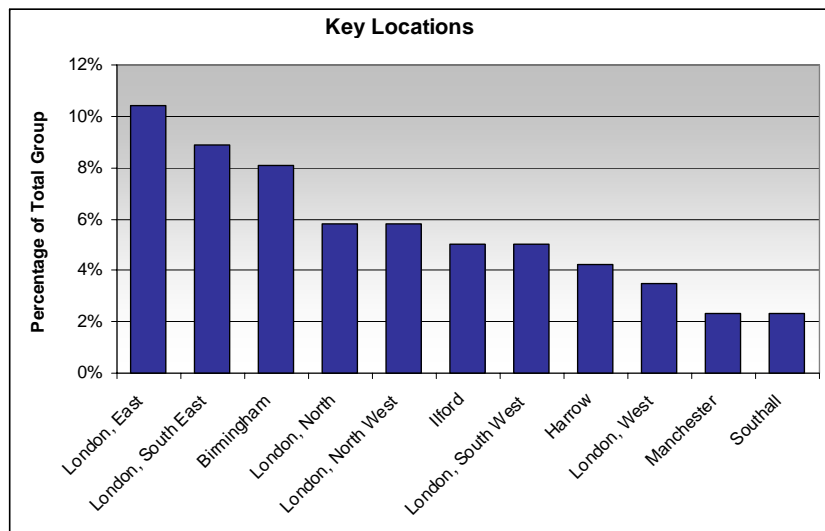
**Assigned Risks Pool (ARP)**  
Section 1 - Firms' Characteristics

## Assigned Risks Pool (ARP) Main Area of Work



- 118 firms specified their main area of work, which is equivalent to 46% of all the firms covered (259).
- Of those 118 firms; 35% are mainly involved in **Immigration**, and 24% involved in **Conveyancing – residential**, which are by far the two largest areas of work of the firms within the ARP scheme.

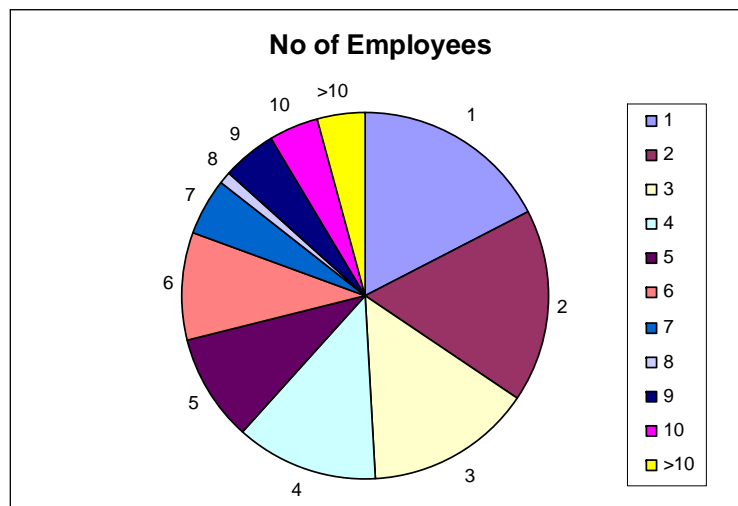
## Assigned Risks Pool (ARP) Location



Key Locations	No. of Firms	% of total
London, East	27	10%
London, South East	23	9%
Birmingham	21	8%
London, North	15	6%
London, North West	15	6%
Ilford	13	5%
London, South West	13	5%
Harrow	11	4%
London, West	9	3%
Manchester	6	2%
Southall	6	2%

- The graph above identifies the main locations of the firms within the ARP scheme.
- Over 50% of the firms are within the Greater London area.
- The largest concentration of firms are within East and South East London.

## Assigned Risks Pool (ARP) Staff



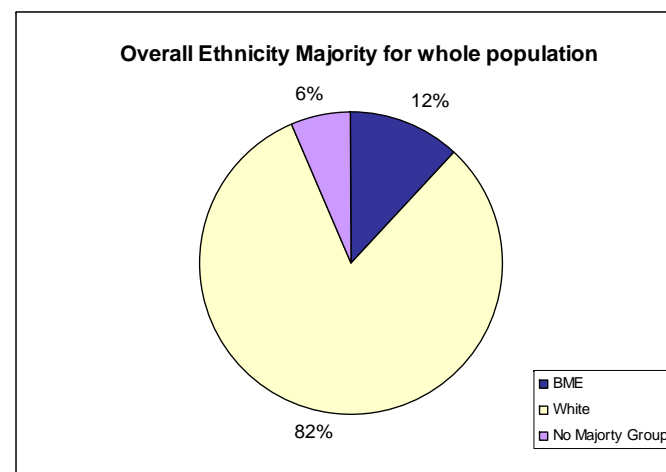
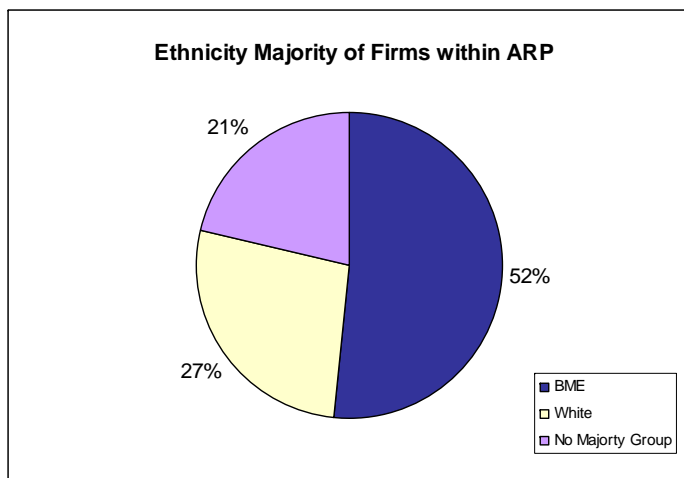
No of Employees	No. of ARP Firms	% of total
1	45	18%
2	43	17%
3	38	15%
4	32	12%
5	24	9%
6	24	9%
7	13	5%
8	3	1%
9	12	5%
10	11	4%
>10	11	4%

Gender majority	No. of ARP Firms	% of ARP Firms	Overall Population
Female	40	17%	24%
Male	149	65%	64%
No majority group	42	18%	12%

- Most of the firms included in the ARP scheme are fairly small, with over 60% of the firms with 4 or fewer employees.
- 65% of firms have a male majority (where more than 50% of the employees are male), this is fairly consistent with the overall population of firms.
- A quarter of all firms only have Partners, i.e. all employees are Partners of the firm.

## Assigned Risks Pool (ARP) Ethnicity

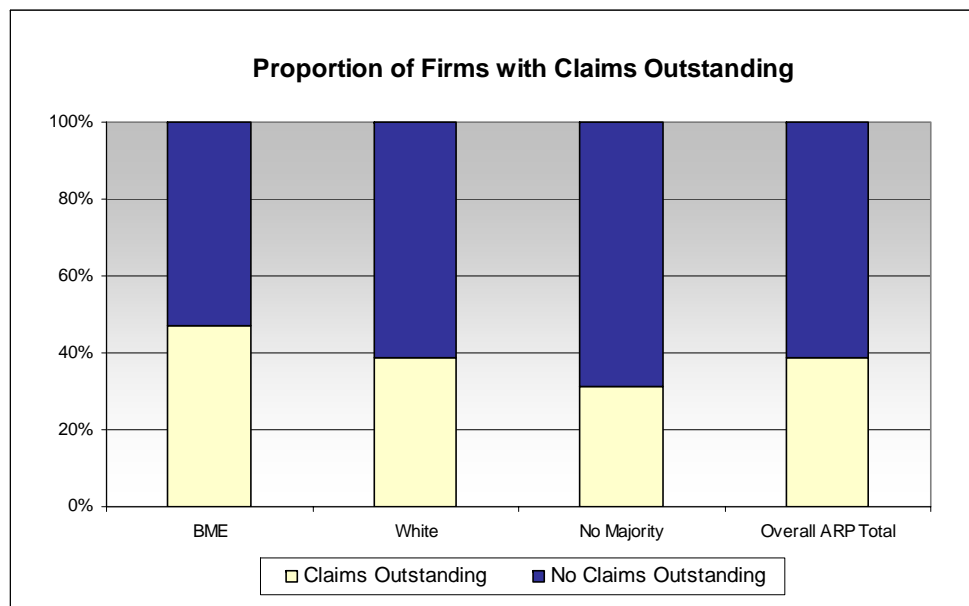
Ethnicity	No. of ARP Firms	% of ARP Firms	Overall Population
BME	97	52%	12%
White	51	27%	82%
No Majority Group	40	21%	6%



- Information on ethnicity majority was provided for 188 firms. A law firm was labelled as “BME” (Black and Minority Ethnic) or “White”, if more than 50% of the employees fell into those category, otherwise “No Majority” was selected.
- 43 firms specified the Ethnicity Majority as “Unknown”; these have been excluded from the analysis above.
- From the data of the ARP firms, 52% have a BME majority and 27% have a White majority. This differs from the whole population, which is split 12% BME and 82% White.

**Assigned Risks Pool (ARP)**  
Section 2 - Comparison of BME and Non-BME firms

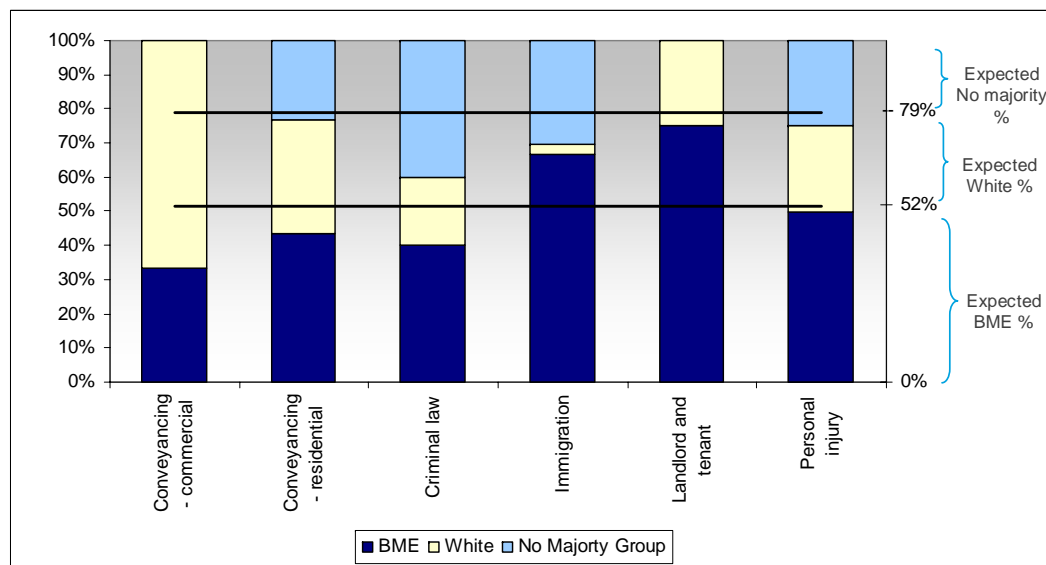
## Assigned Risks Pool (ARP) Outstanding Claims



- 90 firms provided information on whether they had any claims outstanding.
- Overall 39% of these firms had a claim outstanding.
- 47% of firms with a BME majority had a claim outstanding. This is slightly larger than the overall average. However, due to the limited data this difference between BME and the Overall ARP Total could be due to random fluctuations.

## Assigned Risks Pool (ARP) Ethnicity majority within different areas of work

The graph below shows the proportion of BME, White and No Ethnic Majority firms within the different areas of work

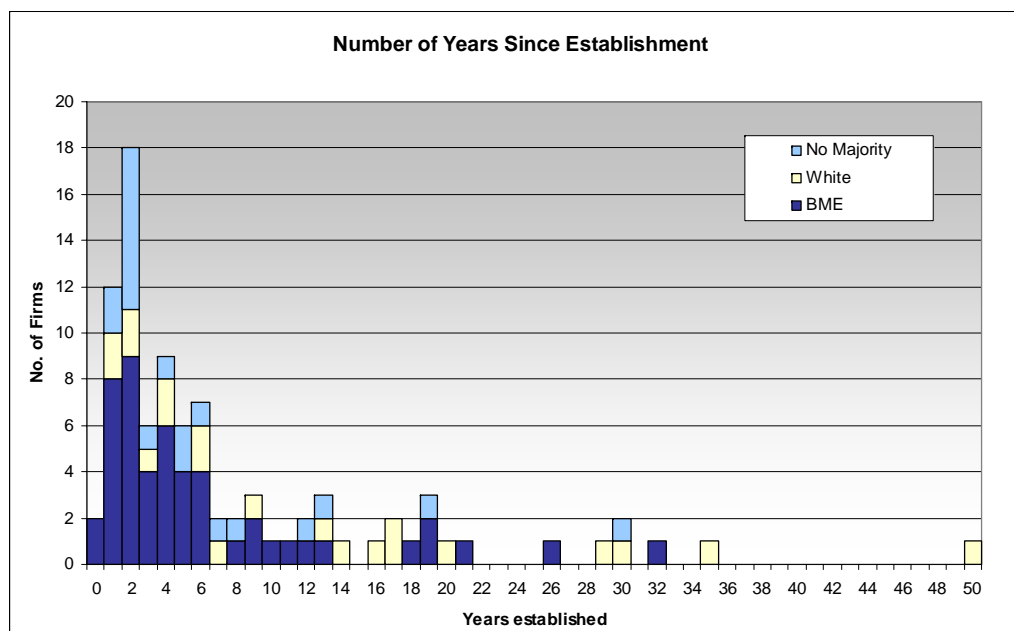


- Based on the overall Ethnicity mix of firms within ARP, we would expect approximately each area of work to comprise of 52% of firms with a BME majority, and 27% with a White majority.
- From the graph above, it can be seen that firms mainly dealing with Immigration and Landlord & Tenants comprise of a larger proportion of firms with a BME majority, than the sample average.
- Firms mainly dealing with Conveyancing - Commercial & Residential comprise of a larger proportion of firms with a White majority, than the sample average.

## Assigned Risks Pool (ARP)

### Length of time firm has been established

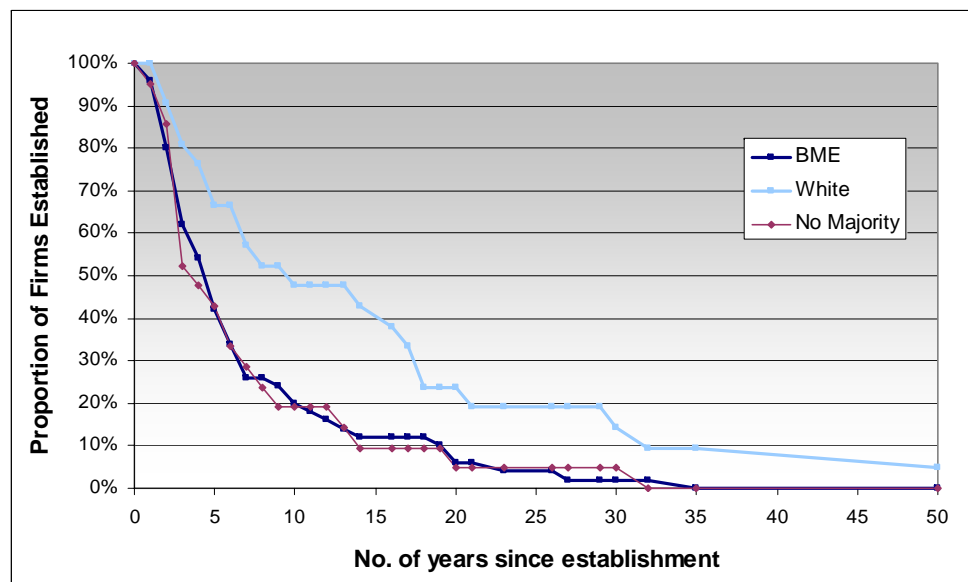
- 121 firms specified the date of establishment, which is equivalent to 47% of all the firms covered (259).
- Overall, 70% of firms have been established for 6 years or less, and 80% of firms for 11 years or less.
- The overall average length of time since establishment of firms covered by the ARP is approximately 7 years.



- It can be seen from the graph that a larger number of BME firms have been established for a shorter period of time, compared to firms with a White majority.
  - Average length of establishment for BME firms is approximately 6 years, compared to 13 years for firms with a White majority.

## Assigned Risks Pool (ARP) Length of Time Since Establishment

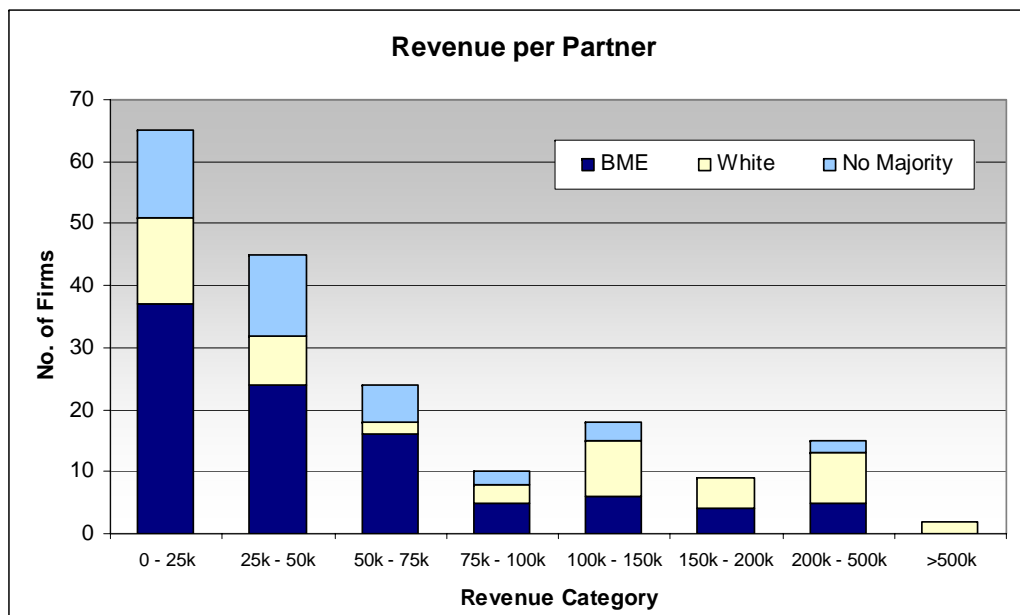
The graph below shows the proportion of BME, White and No Majority firms which have been establishment for different lengths of time.



- It can be seen than on average firms with a White majority have been established for longer than other firms.
- Approximately 50% of firms with a white majority have been established for 10 years or more, whereas only 20% of BME firms have been established for more than 10 years.

## Assigned Risks Pool (ARP) Revenue per Partner

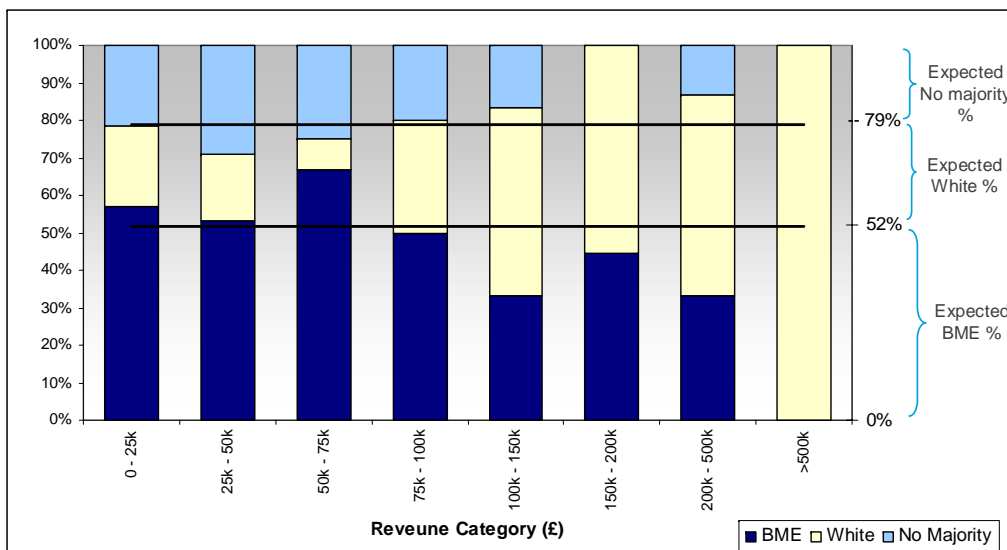
- 99% of firms provided information on revenue and number of partners.
- The overall average revenue per partner is £71,000.
- BME firms have a lower average revenue per partner of £52,000, compared to firms with a White majority which have an average of £171,000.



- From the graph above it can be seen more BME firms fall within lower Revenue per Partner bands. On the other hand, the higher revenue bands have more firms with a White majority.

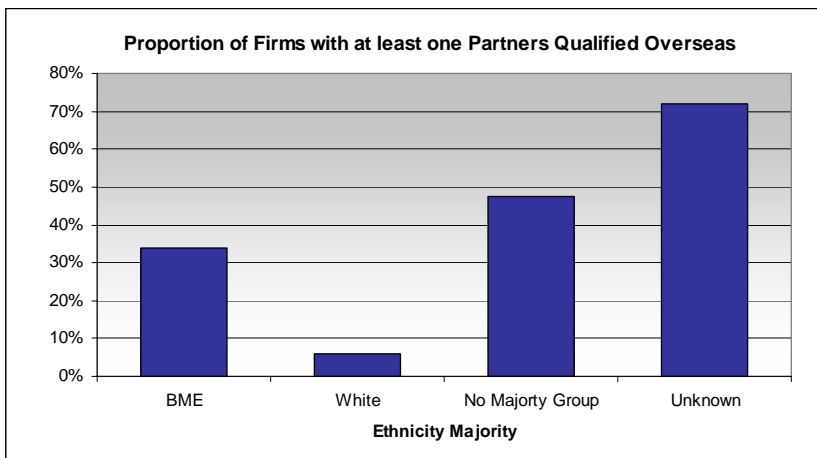
## Assigned Risks Pool (ARP) Revenue per Partner

The graph below shows the proportion of BME, White and No Ethnic Majority firms within different revenue per partner bands.



- Based on the overall Ethnicity mix of firms within ARP, we would expect approximately each revenue band to comprise of 52% of firms with a BME majority, and 27% with a White majority.
- From the graph above, it can be seen that firms with a revenue per partner of less than £75,000 are comprised of a larger proportion of firms with a BME majority, than the sample average.
- Firms with a revenue per partner greater than £100,000 are comprised of a larger proportion of firms with a White majority, than the sample average.
- The higher revenue per partner of firms with a White majority may be affected by these firms being established longer (on average) than BME firms.

## Assigned Risks Pool (ARP) Partners Qualified Overseas



Ethnicity Majority	No. of Firms with at least one Partner Qualified Overseas	Total No. of Firms	% of Firms with at least one Partner Qualified Overseas
BME	33	97	34%
White	3	51	6%
No Majority Group	19	40	48%
Unknown	31	43	72%
<b>Overall</b>	<b>86</b>	<b>231</b>	<b>36%</b>

- Information on ethnicity majority and overseas qualified lawyers was provided for 231 firms.
- The table above shows the number of firms which have at least one partner qualified overseas, split by ethnicity majority; e.g. 34% of firms with BME majority have at least one partner who qualified overseas.
- The firms with an ethnicity majority specified as “Unknown” have the largest proportion of firms with at least one partner who qualified overseas.
- Only three firms with a White majority have a partner that qualified overseas. This is equivalent to 6% of all firms with a White majority.

## Assigned Risks Pool (ARP) Summary

- The main areas of work covered by firms in the ARP are Immigration and Conveyancing.
- Over 50% of the firms are within the Greater London area. The largest concentration of firms are within East and South East London.
- Most of the firms are fairly small, with over 60% of the firms with 4 or fewer employees.
- Information on firm ethnicity was available for 188 firms. Of these firms 52% have a BME majority, and 27% with a White majority.
- Overall 39% of the firms had a claim outstanding.
- Firms mainly dealing with Immigration and Landlord & Tenants comprise of a larger proportion of firms with a BME majority, than the sample average.
- Firms mainly dealing with Conveyancing - Commercial & Residential comprise of a larger proportion of firms with a White majority, than the sample average.
- A larger number of BME firms have been established for a shorter period of time, compared to firms with a White majority
  - Approximately 50% of firms with a white majority have been established for 10 years or more, whereas only 20% of BME firms have been established for more than 10 years..
- BME firms have a lower average revenue per partner of £52,000, compared to firms with a White majority which have an average of £171,000.
- The firms with an ethnicity majority specified as “Unknown” have the largest proportion of firms with at least one partners who qualified overseas.

For further insight into the composition of firms in the ARP scheme, the above statistics should be compared to external benchmarks.