

# Personal Injury Reform

Manchester – 23 March 2017

Leeds – 30 March 2017

# Personal Injury Reform - What next?

## Agenda

8:30am	Arrival and breakfast
9:00am	Welcome and introduction
9:10am	Key areas
10:00am	Questions
10:30am	Close



# What are the reforms?

Andy Poole

Legal Sector Partner, Armstrong Watson

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# Impact

↓ Number of claims

↓ Costs per case

↑ Disbursements

↑ Volume of law firm mergers

↓ Number of instructions to lawyers

↓ Cash flow

↑ Need for efficiency

↓ Volume of law firm mergers

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# What does this mean for PI firms of the future

Zoe Holland, Founder & Managing Director



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# Everything Changes



# Risk Rating The Proposals



**GREEN** = Low Risk

Ban on pre-medical offers

It's what Claimants want anyway!

# Risk Rating The Proposals



**AMBER** = Medium Risk

Reduce compensation for 6 or 9-24 months duration, RTA related, soft tissue injuries by way of introduction of a set tariff for compensation.

Risk comes from what levels the tariffs are set at!

# Risk Rating The Proposals



**RED** = High Risk

Raising small claims limit to £5,000

Removing damages for RTA soft tissue injury in cases of 0-6 or 9 month duration, or limiting to notional £400 bracket

**Firms have to RE-THINK!**

# Market Impact



- ↓ Number of claims – 85% £5k and below
- ↓ Costs Realised per Case
- ↓ Cash Flow
- ↓ Number of P.I. Firms in the Market

# Market Impact



- ↑ Number of P.I. Lawyers out of Work
- ↑ Firms going into Run Off
- ↑ CMCs? Carrying out Low Value Work
- ↑ Volume of Law Firm Mergers

# Ground Zero Impact



- ↑ Strategic Decision – Leave or Remain?
- ↑ Need for Efficiency and Re-Model
- ↑ Use of Technology/Artificial Intelligence
- ↑ Investment to Adapt
- ↑ Different Workforce



# Impact on law firm financial forecasting and strategic planning

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# Action list

1. Grasp the situation
2. Invest in making the right decision
3. Analysis
4. Forecast with sensitivity adjustments and detailed WIP movements
5. Review options
6. Update forecasts for options
7. Speak with your bank
8. Make a decision

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# Choices Available

Zoe Holland, Founder & Managing Director



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# Choices Available





Choices Available



## Strategy

“A plan of action designed to achieve a long-term or overall aim.”

## Honesty

Frank, open and ‘considered’ discussions

# Choices Available



## Buy

- When?
- How?
- How Much?

## Sell

- When?
- How?
- To Whom?

## Choice

## BAU

- Strategy?
- Financial Planning
- Investment

## Run Off

- Plan
- Who and how?

# Buy



- Not for the “Faint Hearted”
- Requires Experience – Sets the Expectation
- Requires Expertise – To Deliver Expectation
- **DO YOUR DUE DILIGENCE**
- “Doing the Deal” –Only Half Way There
- Part of a Strategic Plan / Fit
- WIP Deals or Trading Entities
- Get Early Support of Bank & PII
- Role of Funders

# Sell



- Are you Realistic in your Expectations?
- Are you Prepared for Close Scrutiny?
- Do you have the Right Advisers?
- Do you have the Right Buyer?
- When do you say “No”?

# BAU



- Financial/Strategic Planning
- Investment (IT) – Efficiency and Control
- Scale
- Market Share

# Run Off



- Careful Planning
- Maintain Staff Motivation
- Financial Planning/Forecasting
- Clean MI
- Wind Down Costs – Run Off Cover / Delays



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# Consideration in the market and the impact on M&A values

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# Volume of transactions and who is in the market right now

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# Exit options

## Business sale

- Capital / current accounts
- Goodwill?
- Earn out?

## WIP Sale

- Payment up front
- Payment as cases settle
- Mix

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# Considerations

- Who to sell to
- Location important?
- Pre LASPO WIP/success fees
- Split of success fees
- Disbursements
- Values
- Split of WIP
- Agency basis?
- Insolvency?
- SRA
- Successor practice status
- Bank agreement
- Taxation

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# What questions do you have?

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