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soundings

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Improving Value for Money

The Managers are currently implementing a number of changes to their Value for Money programme (“VfM”). These include developing closer partnerships with a number of UK law firms and improvements in the monitoring of legal costs. These enhancements are all designed to increase the cost effectiveness of the legal services provided to Members of the Association.

Background

Members will be aware that in 2001 the Managers implemented their VfM programme. The aims of VfM included;

- **ensuring that “best practice” is applied to claims handling services, both by the Managers and by third party suppliers;**
- **identifying ways of improving and increasing the cost effectiveness of those services; and**
- **harnessing technology to increase efficiency and collate information.**

VfM has achieved a number of these aims, notably in the context of “best practice” claims handling. Over the past 12 months an extensive review has been undertaken in order to move the VfM project forward. This review has taken place against the background of a significant increase in the costs of legal services particularly in the UK, as well as technological enhancements which offer new opportunities for monitoring and controlling legal costs.

This review highlighted a number of areas where improvements could be made. Two specific enhancements have been introduced:

- the development of relationships with law firms and other suppliers; and
- improvements in the current methods of monitoring legal costs.

These enhancements are being undertaken in conjunction with a number of other Thomas Miller managed businesses to ensure Members receive maximum benefit from the changes.

Appointment of Preferred Legal Partners

The Managers have for many years recognised that value for money and the control of legal costs requires a close relationship with law firms. The number of law firms that Members use has however grown and over 60 firms are instructed on behalf of Members in the UK alone.

In light of this number the Managers have agreed on the appointment in the UK of a number of “Preferred Legal Partners.” These appointments are aimed at allowing the Managers and ultimately the Members to better harness their relationship with those firms and ensure far greater value for money.

Improving Value for Money continued

This does not mean that only preferred legal partners can be instructed on Members' behalf. The relationship is one of a "preferred" nature, not an "exclusive" one. It fully recognises that Members may have a preference in terms of the firms they wish to instruct. Other firms who Members wish to use will become approved firms and can continue to be instructed on Members' behalf.

Following a selection process the following eight firms have been appointed as Preferred Legal Partners for UK Defence Club work:

Barlow Lyde & Gilbert, Curtis Davis Garrard, Eversheds, Hill Dickinson, Holman Fenwick Willan, Ince & Co, MFB, Reed Smith.

Part of the Preferred Legal Partner relationship is that a number of advantageous terms have been agreed which will be of benefit to Members. The Preferred Legal Partners are committed to making a success of the VfM project and will be striving with the Managers to achieve better outcomes on Member cases.

Introduction of electronic billing

A software package developed by DataCert Inc, has also recently been acquired. This package enables invoices from law firms to be submitted to the Managers in an electronic format (Members will continue to receive hard copy invoices as is currently the case). The software captures billing information in a standardised format using what are known as UTBMS ("Uniform Task Based

Management System") codes. These codes are universal standards introduced to describe work of various categories, for instance research and disclosure. The capture of this information enables invoices to be broken down, and then assessed in different ways. This will enable claims executives and Members to improve their analysis of individual bills. It will also allow much greater micro and macro analysis of fees and therefore greater benchmarking as between firms.

Other enhancements

A number of other enhancements have also been introduced. These include a relationship agreement with every firm. This agreement contains a number of service standards and will incorporate the VfM Guidelines, which have been simplified and updated to focus attention on achieving the best outcome on cases at an appropriate cost. The agreement also incorporates Billing Guidelines which set out the items that firms can and cannot charge for.

One important aspect of the relationship agreement is that it requires law firms to have a minimum limit of liability, and insurance to cover such limit of liability. The minimum limits of liability are £10 million for a Preferred Legal Partner and £3 million for other firms. If a firm is handling a case where it believes its limit of liability may be insufficient, it must raise this with the Member concerned and the Managers.

The relationship agreement does not apply to work done for a Member's own account but there may be benefits to asking a law firm to apply it to such work.

The benefits for Members

The Managers consider that these steps will greatly enhance the VfM programme and assist in securing the best outcomes on claims and better control of legal costs. These developments have been closely monitored and supported by the Association's Directors, and the Managers therefore hope that Members will be encouraged by this very important initiative.

The intention is that similar enhancements will be in place in other jurisdictions in the not too distant future.

If any Member has any queries concerning any of the above please contact your Area Group for further information. Copies of all of the documents are available on the Association's website or can be e-mailed to Members on request.

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