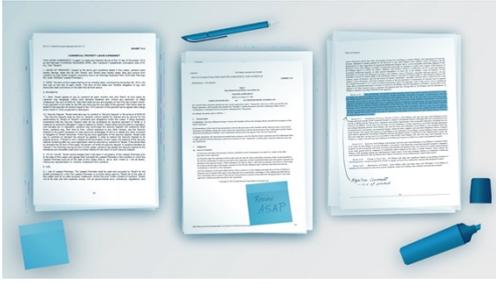


# **5 CRITERIA TO CHECK BEFORE BUYING A CONTRACT REVIEW TOOL**

**July 2020**



More and more companies sitting on large collections of agreements and other legal documents begin to recognize the importance of embracing automated contract review and analysis solutions. All major firms leasing “big-ticket” assets like real estate or manufacturing equipment have people in facilities departments who sift through large numbers of leases to make sure they are correctly provisioned in their balance sheet. Insurance companies employ professionals who spend a lot of time reviewing other carrier contracts in order to optimize their quotes. Banks and financial institutions must analyze credit agreements, and so on.

Automated solutions bear the promise of freeing up subject matter experts from tedious and error-prone manual review tasks. AI software can easily extract agreement terms or clauses, expiration dates, and more. It helps companies review complex documents more rapidly and improves the visibility of important information hidden in multiple contracts, fulfilling compliance requirements and reducing legal risks.

To maximize the numerous benefits of these new AI-based solutions, one needs however to select carefully. Solutions delivering highly accurate results while needing little training data will not only free up subject matter experts from manual contract review tasks, they will also add strategic value to the organization by improving efficacy, reducing risk exposure and generating new opportunities.

Based on the many conversations we have had with organizations trying to make their contract review process more efficient, we have compiled a short list of the top 5 criteria to consider when evaluating a contract review tool:

### **1. Can the system identify terms and clauses with a high level of accuracy?**

An automated contract review tool should be able to reliably extract key information from thousands of complex contracts containing disparate and diverse terminology. In order to provide high degrees of precision, it should be able to extract terms and clauses without relying on specific keywords. For example, the system should understand descriptions of dates (“*not later than ten business days after demand therefore*”) or amounts (“*equal to three percent (3%) of the shareholders’ equity of XY corporation*”).



It is also very important that the system is capable of understanding the meaning of whole sentences, paragraphs, and longer text. This is a prerequisite to solving the problems of language ambiguity and vocabulary mismatch which reduce the accuracy of many systems. For example, the phrases *“upon execution of this agreement”* and *“when the contract is signed”* have similar meanings but use completely different words; the solution should recognize that similarity.

## 2. How easily and quickly can the solution be trained to meet company-specific requirements?



Some systems that come with pre-defined extraction models are almost immediately usable. Those systems are a good match for smaller organizations dealing with a limited number of standard contracts, with little variation of clauses and provisions. Larger companies with a variety of use cases involving different types of agreements will however need additional training – a costly and lengthy process because most AI contract intelligence systems are based on approaches that perform statistical analysis of text. Training these algorithms to properly identify and interpret legal language requires feeding the system large numbers of documents and guiding it through a supervised learning process until it is able to perform at an acceptable level of accuracy.

Companies with very large contract repositories have the most raw material to work with, but the process takes time. Many companies do not have the resources to go through a long implementation and training process consisting of manually annotating 1,000s of documents and potentially needing the help of AI experts. Translated into effort, this means a minimum of 8 weeks of subject matter experts' time (assuming 20 minutes per manual contract review) for each custom document.

A system that can be trained with as few as 100 documents will save time and money and provide the organization more agility to process a wide range of agreements.

### 3. Can the system interpret and classify provisions based on meaning?



One way an automated contract review tool facilitates the process is to analyze and classify provisions based on the requirements of the organization. For instance, the tool should be able to use meaning-based classification to distinguish between an acceptable termination clause vs. a termination clause that requires additional review. In another example referring to an insurance company the system should be capable of interpreting the sentence *"Insured employees are not required to contribute to the cost of the Long-Term Disability coverage"* and classify it as *"100% employer paid"*.

### 4. Does the solution allow for semantic search?

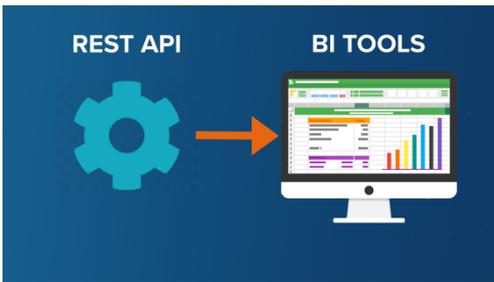


Accurately extracting key information from contracts is one essential aspect. Being able to search across one or multiple documents, or even across the entire repository is crucial. If the legal team has created a new termination clause, the system must be able to identify all documents where the termination clause differs from the new standard. Because more than often, the user does not exactly know how to formulate the query, the system should handle both keyword-based and natural language searches and be able to bring back relevant results with a high level of confidence.

Only tools using advanced natural language understanding capabilities will master this task. The good ones will even discover hidden information that none of the company's employees would have identified - either because they would not have looked into this specific document, or because they did not know that that piece of information exists.

Very useful are tools that retrieve both passages within documents and whole documents, as well as those who allow insights about the search results. When the user understands why a certain document was retrieved, he/she can optimize the search process and refine queries.

**5. Does the solution easily integrate with other systems?**



There is a high probability that an organization is already using different systems to manage documents, process workflows and monitor results. A high-performing, dedicated contract review tool is something that can improve visibility into existing document repositories or augment the capacities of contract lifecycle management systems. It should easily integrate with all of them, optimally via a RESTful API since it does not require any programming or complex software architecture planning.

Integration can take many forms. For example, a contract review tool can add meaning-based extraction and classification capabilities to a Contract Lifecycle management system, or the tool can feed the extracted information into the organization’s business intelligence tools and contribute to better assessing risk as well as provide new insight.

In times of looming economic recession, companies must thrive to maintain their competitive advantage in either optimizing their operations and processes, or seizing new opportunities. A contract review tool matching the 5 above mentioned criteria can definitely make the difference, by helping employees work smarter, executives make better decisions and overall delivering better value to customers.

To learn more about delivering better contract intelligence, visit <https://cortical.io> or reach out to [info@cortical.io](mailto:info@cortical.io)