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The Relationship Between Insurance Companies and Outside Counsel

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Tweeting about this conference?

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Introduction and Overview: Reasons for Changes in the Relationship between Insurance Carriers and Law Firms

- Insurance companies face pressure to better manage the legal expense associated with claims litigation
  - From 2008 to 2012 legal spending for the P/C insurance market remained flat at $21.3 billion while premiums shrank
  - Insurance carriers report that claims complexity and severity has increased
  - Law firm rates have increased 3-4%

- Leading insurance carriers manage legal spending through detailed analysis of case and claim outcome data from modern claims and legal bill management systems
  - Multivariable statistical models
  - Use of Key Performance Indicators (KPIs) such as settlement rate, settlement cycle time, claim and case outcome metrics

Specific Examples of Actions Changing Relationships with Law Firms

- Legal fee bill audit services
  - Bottomline Technologies®
    - Website indicates a customer savings range of 8-15%
    - Over 11,000 law firms submit billings to Bottomline
  - Legal Cost Control, Inc.
    - Began offering bill audit services in the mid-1980s
    - According to LCC's website, the company reviews over $60 million each month in legal and professional billing

- Alternative fee arrangements

- Requirement of minimum lawyers' professional liability insurance limits (e.g. Berkeley Companies and Travelers are requiring minimum of $5 million limits of liability)