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 spend 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%.[i]
- Leading insurance carriers manage legal spend through detailed analysis of case and claim outcome data form 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[ii]
    - 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[iii]
- Alternative fee arrangements (add brief discussion)
- Requirement of minimum lawyers' professional liability insurance limits (e.g. Berkeley Companies and Travelers are requiring minimum of $5 million limits of liability)

[i] Rao, A. Pankhurst, R., Busse, S., Katragadda, S., Kadri, S., Sullivan, K. (2014) *Improving Claims Legal Management Effectiveness with Advanced Analytics* Retrieved from http://www.carriermanagement.com/features/2014/07/17/126271.htm

[ii] http://www.bottomline.com/legal_spend_management/Bill_Review_FAQ.html Retrieved September 30, 2014

[iii] http://www.legalcost.com/companyprofile/aboutus.asp Retrieved September 30, 2014