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**A CLM Advisors
Informal Industry Snapshot
Summer 2016**

Chief Claim and Litigation Officers Comment on

***Annual Changes to Litigation Expenditures
and
Satisfaction Levels with Those Changes***

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CLM Advisors' Industry Snapshot
Annual Changes to Litigation Expenditures and Satisfaction Levels

Introduction

I'm pleased to provide the results of the informal Industry Snapshot recently performed by CLM Advisors. This initiative was prompted by a question from a senior litigation officer, who wondered what others in the industry were seeing in terms of year-to-year changes in aggregate litigation expenditures. In turn, we were curious how satisfied industry executives are with the changes they are experiencing, so we added that question as well.

Snapshot Notes

Please take note that a data sample of this size is not statistically valid and any conclusions should not be treated as such. Average and median scores, to the extent they are used in this specific Snapshot, are simply to provide a point of comparative reference among this select group of executives,

Snapshot Methodology

Two core questions were issued by email to approximately 38 chief claim or litigation officers. 25 responded. They represent property casualty claims organizations of all sizes and types, with all lines of business represented.

The specific questions asked were as follows:

[This] Snapshot has two questions, each asking for a simple 1-number response. (A sample response might look like "3.5% / 8"). Here are the two questions:

Question #1: "What are you seeing in terms of year-over-year changes (by percentage) to your organization's aggregate legal expenditures?"

You can simply identify the change between 2015 and projected expenditures for 2016. Or you can provide the change between 2014 and 2015, or an average of multiple years. There is no need to normalize or discount for company growth, new underwriting, or business growth. We are just looking for an approximation of the raw numbers. (We will assume the answer you provide is an increase, unless you tell us it's a decrease).

Question #2: "On a Scale of 1-10, how do you feel about the number you provided to Question #1?" The scale is as follows:

- 1 = "I find this change to be very frustrating. We are still challenged in our efforts to control this number."*
- 2 10 = "I am very pleased by this result. The number is exactly where we'd like it to be. We are controlling these expenditures very well."*

As always, if you respond, I'll share a copy of the de-identified responses so you can see how others answered these two questions. Many thanks!

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Snapshot Results

Company Executive	Percentage Increase / Decrease	Satisfaction Level Scale of 1 to 10	Comments
1	15.00%	1	
2	2.50%	8	I am quite pleased with the results due to significant growth in a few litigious markets (Miami, Houston and Los Angeles).
3	-3.75%	7	
4	-3.00%	7	
5	-6.60%	8	we are pleased but always hope for more; much of our improvement was due to just modernizing our approach to lit management, panel firms and legal management software
6	-10.00%	6	decrease due to company decline in written premium
7	6.00%	5	I would like to improve these results
8	11.40%	5	
9	0.00%	9	
10	0.00%	9	
11	5.00%	10	
12	-12.00%	7	we still have opportunities to better control legal spend through better litigation management and better legal bill review efforts, but we have long term relationships with our panel firms so I am more concerned about managing what they do vs. how they bill their time, but both have to be continually watched.

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Company Executive	Percentage Increase / Decrease	Satisfaction Level Scale of 1 to 10	Comments
13	4.00%	7	Increase has been significantly impacted by costs associated with high exposure, complex cases including several that have resulted in trial and exceptionally high expense. The underlying claim handling that results in litigation avoidance, and the effectiveness of litigation management are acceptable. We can do a better job, which is why we're at a 7 here instead of a 10
14	30.40%	8	Construction defect claims in the south driving the increase
15	17.00%	7	
16	-12.70%	6	The results appear great, but we had a huge outlier in 2015 that distorted the results. On a per case basis, the results are more like +6% year-over-year
17	4.00%		We are in transformation mode and it is nearly impossible to validate returns out of seven systems that count matters on different standards
18	14.00%	5	
19	5.00%	8	Our primary challenges are the consistent execution of our litigation management principles by our claims professionals and our counsel to execute; unexpected jurisdictional challenges; and singular file issues that drive high cost such as conflicts that require the use of counsel outside of our approved counsel list
20	2.00%	5	

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Company Executive	Percentage Increase / Decrease	Satisfaction Level Scale of 1 to 10	Comments
21	-1.00%	5	While total is down 1%, average legal exp is up 7%. Glad to see the total stable given the huge increase in claims we had last year. The average is frustrating but is due to closing down some old files that skewed the average
22	2.50%	8	
23	5.00%	8	Seeing even more churning and delegating of tasks to associates even when we specifically state we want partners to take the key depositions, argue the summary judgment motion, etc. If changes are not made, we stop giving new cases to the firm and take important ones away from them. I'm not surprised by it (lawyers need to put their children through college too) but it is frustrating because we are not getting better service despite paying more money compared to last year. Finding top notch attorneys who will dedicate the necessary time to our high-exposure claims without churning continues to be a challenge.
24	2.00%	5	
25	2.50%	5	
AVERAGE	3.17%	6.6	
MEDIAN	2.50%	7.0	

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About this Industry Snapshot Study

We hope you find these informal Snapshots to be interesting and helpful to you. We'd certainly like to include you in more.

This Snapshot was conducted by CLM Advisors, the consulting and advisory arm of the Claims and Litigation (CLM) Alliance. With over 30,000 members and fellows, the CLM is a collaborative, inclusive, organization that promotes and furthers the highest standards of claims and litigation management and brings together thought leaders in both industries. The CLM's Members and Fellows include risk and litigation managers, insurance and claims professionals, corporate counsel, outside counsel and third party vendors. The CLM sponsors educational programs, provides resources and fosters communication among all in the industry. More information about CLM Advisors can be found at www.clmadvisors.org. More information about the CLM can be found at www.theclm.org.

Question about this Study and its findings should be directed to:

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