

**Value Practice:*****Liberty Mutual Law Department's Enhanced Approach to Metrics: Business Focused Effort Includes Quantitative Assessments and Quality Audits******Helen Gillcrist******Interviewed while Vice President and Manager of Enterprise Legal Services  
Liberty Mutual Group*****June 2009**

This ACC Value Practice example highlights key components of Liberty Mutual's litigation metrics and qualitative audit program. Liberty Mutual's Enterprise Legal Services ("ELS") department works to assess and communicate information on outside counsel performance in connection with closed case outcomes, work in process and inventories for litigation services.

**Key Attributes of Combined Quantitative and Qualitative Approach**

- ***Business-Focused Development Effort:*** metrics developed based on business input; ELS engaged business clients up front in the process so that metrics were designed to bucket and segment cases and information in direct response to client interests and needs. Ongoing communication with clients and customers leads to the continual evolution and refinement of litigation metrics generation and analysis.
- ***Web-based tool allows transparency and access to data:*** business clients experience value 'real-time' via customized metrics dialogues and a variety of online scorecards that provide quantitative data on a broad range of closed case metrics and in-litigation data points; readily available tools allow claims, account teams and ELS personnel to search and parse data in a number of ways, including by state, firm and market segment in response to changing business and customer needs.
- ***Oversight- Regional Legal Teams:*** ELS has regional teams on point for managing outside counsel firm relationships and spend, and for providing firm oversight in collaboration with the company's claims department to strategically advance the company's objectives. The regional teams exist: a) to ensure that panel firms under management follow the department's litigation guidelines and communications protocols, and b) for sharing metrics with firms on their performance. Each of the teams includes at least one lawyer with significant relevant practice experience
- ***Quality Audits:*** to complement ELS' enhanced quantitative view, the department also conducts quality audits to evaluate how well cases are being handled. A more detailed overview of the quality audit attribute is provided below.

**Quantitative Metrics**

ELS tracks an extensive set of metrics in three major categories. Metrics can be viewed to compare cases based on geography, firm, case type, business division and more. Metrics categories include:

- ***Closed Case Outcomes-*** metrics tracked for this case category include expense and loss information for completed litigation benchmarked against a variety of contributing factors that

allow for law firm performance analysis across market, business and litigation type. This analysis is to ensure effective case outcomes and to identify competitive or statistically significant advantage areas and legal resources that may benefit the customer in their legal defense.

- **Work in Process-** allows ELS to compare year-to-year costs and progress. Examples include: ability to track on a per claim basis how much a firm is spending, and ability to track and compare cycle times of pending cases (helps with qualitative reviews to determine firm's case management, staffing model, labor rate, strategy and approach)
- **Inventories-** metrics tracked for this category allow for the ability to compare case volumes by firms, geography and business unit to identify efficiencies and spot trends.

### **Qualitative Assessments and Metrics:**

ELS' quality audit program enhances existing quantitative invoice review, financial auditing and analysis; and it allows both Liberty Mutual and its customers to confirm the delivery of high quality, cost effective and efficient legal services. Conducting qualitative reviews sends an important message to customers and firms that both efficiency *and* quality are important. In addition, these allow ELS to evaluate how a given firm is operating and to leverage lessons learned and efficiencies across the system. Quality reviews provide opportunities to also review pending cases to enhance case strategy and direction.

Liberty Mutual's legal team conducts a significant number of audits throughout the course of the year. Managed panel firms are constant partners in the audit process, and can expect to be the subject of a quality review every few years. The goal of each quality audit is to review files and legal work to be sure that findings are fair to the firms and help yield sufficient quality and cost saving results. In addition, periodic consultative reviews done in response to specific customer or market inquiries regarding defense spend, being both financial and legal in nature, are valuable ways to understand current case handling practices to drive better results.

How are firms/cases selected? ELS utilizes rigorous selection criteria including a firm's spend, billing practices, compliance with Litigation Guidelines and Protocols, case management, staffing and other criteria to determine which firms' legal work may warrant "heightened" review.

1. **Levels of Qualitative Audits-** Audits span several different levels dependent upon the business/ legal need:

- Case phase review:* this level of review can be performed remotely
- On site file review:* this level of review is more targeted and involves an on site assessment of the firm, their legal handling and case management practices
- Consultative review:* this level of review focuses on reviewing legal work with the intent of providing real time legal and financial benefit to a specific customer or market segment

2. **Metrics Assessed-** Metrics assessed as part of the qualitative review include:

- How well was the case executed?
- Was the case appropriately staffed/what was the staffing mix?
- How much time and effort is being spent on various phases of the case?
- How do the above and the results achieved compare with cases handled by other firms, cases in other geographies, etc.?
- Is the case strategy defined and being implemented?

**Critical Success Factors to Maximize Value**

To maximize value of a law department's quantitative and qualitative metrics, consider the following:

- ***Be thoughtful about the metrics you collect-*** metrics assessments are most meaningful if they are business driven; consider collaborating with business clients to customize metrics practices and make them value-add and meaningful for both the law department and clients
- ***Share the metrics you collect with law firms being assessed-*** information on their performance compared to historicals and compared to other firms will enhance their understanding of and help drive improved performance
- ***Include a qualitative review component-*** focus on the financial, operational and qualitative aspects of firm performance to measure, assess and determine the best firms to meet your legal needs. Having a quality audit component allows for a holistic view of performance assessment, and is helpful for firms to know that the law department has an experienced lawyer/ professional overseeing the enterprise's matters

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