

Case Study Summary

Overview

This case study examines how an international insurance company (the “Carrier”) used Stuart Maue’s **Retrospective Audit Services** to analyze fees and expenses resulting from nationwide lead paint litigation.

Business Situation

The Carrier was presented with a request for reimbursement of legal costs from one of the largest paint manufacturers in North America (the “Paint Company”). The Paint Company tendered approximately \$40 million in law firm and vendor charges incurred during a period of slightly more than four years. However, coverage issues existed between the parties and the Carrier identified concerns regarding whether the \$40 million was reimbursable under the applicable policies of insurance.

Solution

Needing an independent opinion of the legal costs, and potentially expert testimony in the course of coverage litigation, the Carrier engaged Stuart Maue to analyze and audit the fees and expenses tendered by the Paint Company.



Stuart Maue: Retrospective Audit Case Study

Case Study

Customer Profile

International multiline insurance company.

Situation

Over the last few decades, individuals and State Attorneys General have filed hundreds of lawsuits against former manufacturers of lead pigments including the Paint Company. In 1987, the Paint Company saw the pending suits as a serious threat to the future of the company and retained the company's long standing counsel (the "Law Firm").

Given the long relationship between the Paint Company and the Law Firm, no written terms of retention existed nor were there any parameters or limitations placed upon the Law Firm regarding hourly rates or staffing of the cases. In the course of defending the hundreds of suits in a multitude of venues, the Paint Company and the Law Firm utilized eleven additional law firms and a wide variety of experts and litigation service vendors, all of which were included in the tendered costs.

Solution

Stuart Maue analyzed the fees and expenses using methodology derived from the rules of professional responsibility, case law, other applicable precedent bearing upon the reasonableness of attorney's fees, and custom and practice within the insurance defense industry and the broader legal community.

The invoices were loaded into a proprietary computer database where fees and expenses were quantified and reconciled. Stuart Maue attorneys then performed a line-by-line analysis of fees and expenses in order to examine the fees generated by the various litigation phases, tasks, and activities and identify billing issues and questioned charges.

In addition, the lead attorney spent three days at the Law Firm's offices. Initially, the attorney interviewed the senior Law Firm partner tasked with managing the defense and the Paint Company's General Counsel. Stuart Maue also reviewed case files, significant pleadings and memoranda identified during the invoice review, and the firm's document database. The information learned proved invaluable to placing individual attorneys, cases, and projects into context.

A few of the billing issues identified by Stuart Maue were:

- Significant overstaffing of certain matters and projects;
- Timekeepers who did not appear to perform work that required legal training or acumen;
- Transient timekeepers who did not appear to serve a distinct, non-duplicative role;
- Position inappropriate work (i.e., attorneys performing tasks that are more economically performed by paralegals);
- Fees and expenses that did not result from the defense of the Paint Company and thereby were not compensable under the applicable policies; and
- Law firm and vendor expenses that appeared excessive or to constitute firm overhead.

In total, Stuart Maue questioned **approximately 25%** of the total costs tendered to the Carrier.

Benefits of the Retrospective Audit

- Stuart Maue identified concerns over the compensability of approximately 25% of total costs billed by the Law Firm, local counsel, experts, and vendors.
- The Carrier received a detailed report, quantifying and explaining Stuart Maue's findings, and exhibits containing the questioned fee and expense entries.
- The Carrier would be provided with expert testimony concerning the legal costs should the coverage case proceed to mediation, arbitration, or trial.

Visit our website at: www.stuartmaue.com

3840 McKelvey Road St. Louis, Missouri 63044 Phone: 314.291.3030

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