



Learn how Stuart Maue worked with an international insurance company to review over **\$40 million** in legal costs incurred under a large policy.



Legal Auditing Services Case Study

STUART MAUE
PREMIER COST MANAGEMENT

Overview

This case study examines how an international insurance company (the "Carrier") used Stuart Maue's Legal Auditing Services to analyze fees and expenses resulting from nationwide lead paint litigation.

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. Coverage issues existed between the parties and the Carrier identified concerns regarding whether the \$40 million was reimbursable under the applicable policies of insurance.

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 and no parameters or limitations were placed on 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. When the Carrier for the Paint Company was presented the request for reimbursement of legal costs from the Paint Company, the Carrier had concerns over the amount of fees and expenses that were reimbursable under the Paint Company's policy.

Solution

The Carrier retained Stuart Maue for an independent review of the legal fees and expenses as well as potential expert testimony in the event of litigation. Stuart Maue analyzed the fees and expenses using methodology derived from the rules of professional responsibility, case law, other applicable precedent bearing on 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

Benefits of the Stuart Maue Legal 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.
- Stuart Maue was prepared to provide expert testimony to the client concerning the legal costs should the coverage case proceed to mediation, arbitration, or trial.



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

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.

Learn how a Stuart Maue Legal Audit could result in savings...

Contact us

To learn more about how a legal audit solution can help you in gaining a better understanding of your law firms' effectiveness & efficiency, call or e-mail:

Larry Kwasny
Senior Vice President, Business Development
Phone: 856.273.6930
E-mail: l.kwasny@smmj.com

STUART MAUE
PREMIER COST MANAGEMENT

3840 McKelvey Road Phone: 800.291.9940
St. Louis, MO 63044 www.stuartmaue.com