



ACC VALUE CHALLENGE

Fireman's Fund Insurance & Novus Law

APPLYING A TRIFECTA OF VALUE LEVERS TO ACHIEVE "WOW" COST SAVINGS

By Jennifer J. Salopek

When you're given zero budget to achieve a Big Hairy Audacious Goal, or BHAG as Jim Collins calls them, it's time to be inventive. That's just what Fireman's Fund Insurance Company (FFIC) Associate General Counsel Deanna Johnston did when word came down that costs within the legal department had to be reduced — and fast.

"In 2012, the market for insurance was still soft, and Fireman's was focusing its efforts to be more profitable," Johnston explains. A new chief financial officer set cost reduction targets for each department. "We had always been conscientious about being a good corporate citizen," says Johnston, who has been with the company since 2009, "but now, we knew we had to be creative."

By forging a creative partnership with co-Champ Novus Law, Johnston led the development and implementation of several successful initiatives that resulted in transformative change for the FFIC legal department. They achieved that BHAG, netting big wins in terms of cost savings — \$19.3 million over three years, many times the original goal.

First, the team used the information from a detailed financial analysis of document-related discovery costs, including everything from document review to the preparation of privilege logs and witness binders, on past litigation matters to drive the adoption of fixed fees for that service. After Novus Law analyzed electronic billing records from more than 60 completed matters, Johnston learned that FFIC could achieve significant cost savings by paying for document-related discovery on a fixed-fee-per-page basis rather than an hourly basis. This innovation alone led to an estimated cost savings of \$6.9 million in the first year, and a total of \$15.7 million over three years.

Novus Law was co-founded by Ray Bayley, CEO, and Lois Haubold, vice president of client and account relationship management. The firm's OneTouch process for document-related discovery reduces inefficiency and silos, explains Bayley: "Law firms review documents an average of 14 times. We look at it once, but spend considerably more time with it. This approach results in increased quality and decreased redundancy, waste, and defects — as well as reduced costs."

"The cost savings, although significant, weren't really the most important thing," Johnston says. "The new process really changes document-related discovery, compressing multiple reviews into a single step. It changed the way we work for the better."

As FFIC began to leverage and customize Novus Law's proprietary knowledge management and collaboration application, Novus C3 ("communication, collaboration, and control"), Johnston deployed it to outside law firms on FFIC's large litigation matters and began to require its use. The platform essentially creates an electronic trial notebook in real-time as communication and work product are uploaded. It eliminates the need for email between FFIC, outside counsel, and Novus Law, and facilitates organization and efficiency. Johnston estimates that its use has led to an estimated overall reduction in law firm fees of \$5 to \$10 million.

Johnston also developed new outside counsel guidelines, including new early case assessment processes, decision analytics, and budgeting tools. Among other things, the new guidelines require that alternative fee arrangements be submitted if projected spend is over a certain amount; that the use of the Novus C3 platform is expected and required on certain matters; and that law firms submit budgets that are monitored every 90 days. FFIC also wanted its outside

FROM THE JUDGES

"Rare innovation in an area that has been re-engineered many times before — solid partnership with legal services provider and law firm."



Deanna Johnston



Ray Bayley



Lois Haubold

counsel practicing “preventive law.”

FFIC and Novus Law co-created an early case assessment tool whose effectiveness is facilitated by the use of the technology platform. Because the Novus Law OneTouch process begins creating work product right out of the box, clients can see their cases come alive three times faster than normal. “This allows our outside counsel to better understand the potential theories of a case, as key documents bubble up early and help them to shape strategy,” Johnston says.

Bayley estimates that FFIC resolves one case in 12 (or about 8.5 percent) early. “It’s pretty cool when clients expect cases to go six months and can resolve them after a few days or weeks,” he says. Altogether, the first three initiatives have helped FFIC to reduce its outside counsel spend by 25 to 35 percent.

Value levers also were applied internally, as Johnston restructured FFIC’s Coverage Counsel Department. She brought all of the coverage work in-house and realigned the Coverage Counsel Department to focus on business unit clients rather than geographies. Although the change was “initially poorly received,” Johnston reports that once team members were realigned to the lines of business, they were able to develop specialized expertise and to collaborate where once there were silos. The changes saved FFIC \$3.6 million in direct measurable costs in the first 18 months.

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