

Legal Operations Professionals Share Strategies and Tactics to Improve the Value of Legal Services

The 2015 ACC Value Champion Series

Transforming Legal Services to Support the Corporate Vision

Aine Lyons

VP & Deputy General Counsel,

Worldwide Legal Operations

VMware

VMware Legal Operations

Transformational Journey - Strategy and Overview

Lyons, VP & Deputy General Counsel WW Legal Operations

out VMware

more than 16 years, VMware has pioneered disruptive technologies and delivered solutions that drive true transformation

Founded in 1998

Revenues of
\$6.04 Billion in 2014

More than 18,000
employees worldwide
serving more than
500,000 customers

Headquartered in
Palo Alto, California with
offices in more than 100
countries





VMware Legal Vision: The standard for Legal excellence in the industry

Legal Operations Mission

Scale the Legal Department to support a dynamic business by driving operational excellence and investments in our people

Risk Management

Client Service & Customer Experience

World Class Legal Services

Invest in Our People

Operational Efficiency

Law + Science = Standard For Legal Excellence



are Legal Ops Team



Supporting 140+ Legal team members, located in 17 countries WW



Ops Focus Areas



- Objectives
- Focus Areas
- Enablers



Legal Operations Overview

Scale the Legal Department to support a \$10 billion+ business by driving Operational Excellence and Investments in our People

.....Through the delivery of innovative people, processes, and technology solutions



Efficient Operations

People

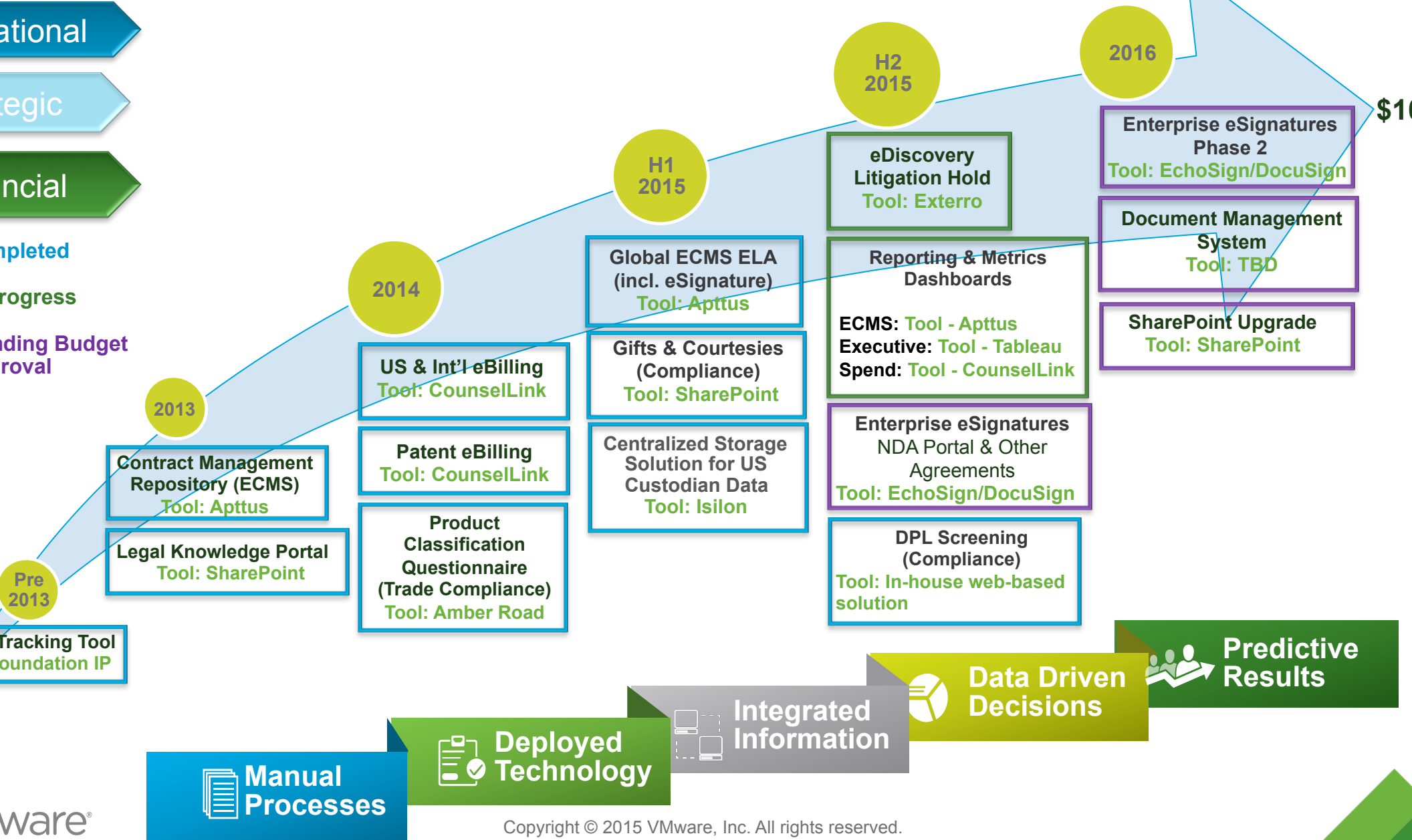
...Which Legal Operations Manages on an Ongoing Basis

Continuous Improvement

Data and Business Intelligence

Communications

Technology Journey: Building a Scalable Legal Infrastructure



Business Area: Technology and Automation – Foundational Project

Building a best-in-class legal technology infrastructure that automates processes

	Overview	Benefits
Contract Creation and Signature	<ul style="list-style-type: none"> Global contract management platform Automates contract generation process Used for standard ELA process and use cases beyond ELA 	<ul style="list-style-type: none"> Streamlines contract process using workflow Standardizes templates and approval phases Creates audit trail and reportable metadata
Contract Repository	<ul style="list-style-type: none"> Centralized database for executed agreements Cross-functional (used across 9 different functions) OCR text searchable 	<ul style="list-style-type: none"> Robust search and reporting capabilities Facilitates self-service contract research on NSTs OCR enables advanced and keyword searches Continuously cleansed and enhanced...best source accurate info
eBilling	<ul style="list-style-type: none"> Automated billing management platform Implemented globally Includes “Insight” benchmarking tool Includes dynamic dashboard on budget to actual spend 	<ul style="list-style-type: none"> Eliminates paper processes Facilitates invoice bill review process and reduces b compliance with billing guidelines Improves reporting (by budget, by matter) Allows for rate benchmarking and portfolio analysis
Litigation Hold	<ul style="list-style-type: none"> Automated Litigation Hold Lifecycle technology Integrated with key systems including WorkDay, ProofPoint, and eBilling 	<ul style="list-style-type: none"> Compliant, defensible, integrated industry standard Scalable to meet litigation growth Significantly reduces risk of data loss



Focus Area: Efficient Resource Allocation

allocating low-value, low-risk, repetitive work streams to lower cost resources and/or locations to focus the core team on supporting strategic priorities

Mid-level Corporate Counsel	Sr. In-house Counsel	Sr. In-house /Outside Counsel
Paralegal / Jr. Corporate Counsel / Contract Manager	Mid-level Corporate Counsel	Sr. In-house Counsel
Paralegal / Jr. Corporate Counsel / Contract Manager	Paralegal / Jr. Corporate Counsel / Contract Manager	Paralegal / Jr. Corporate Counsel / Contract Manager

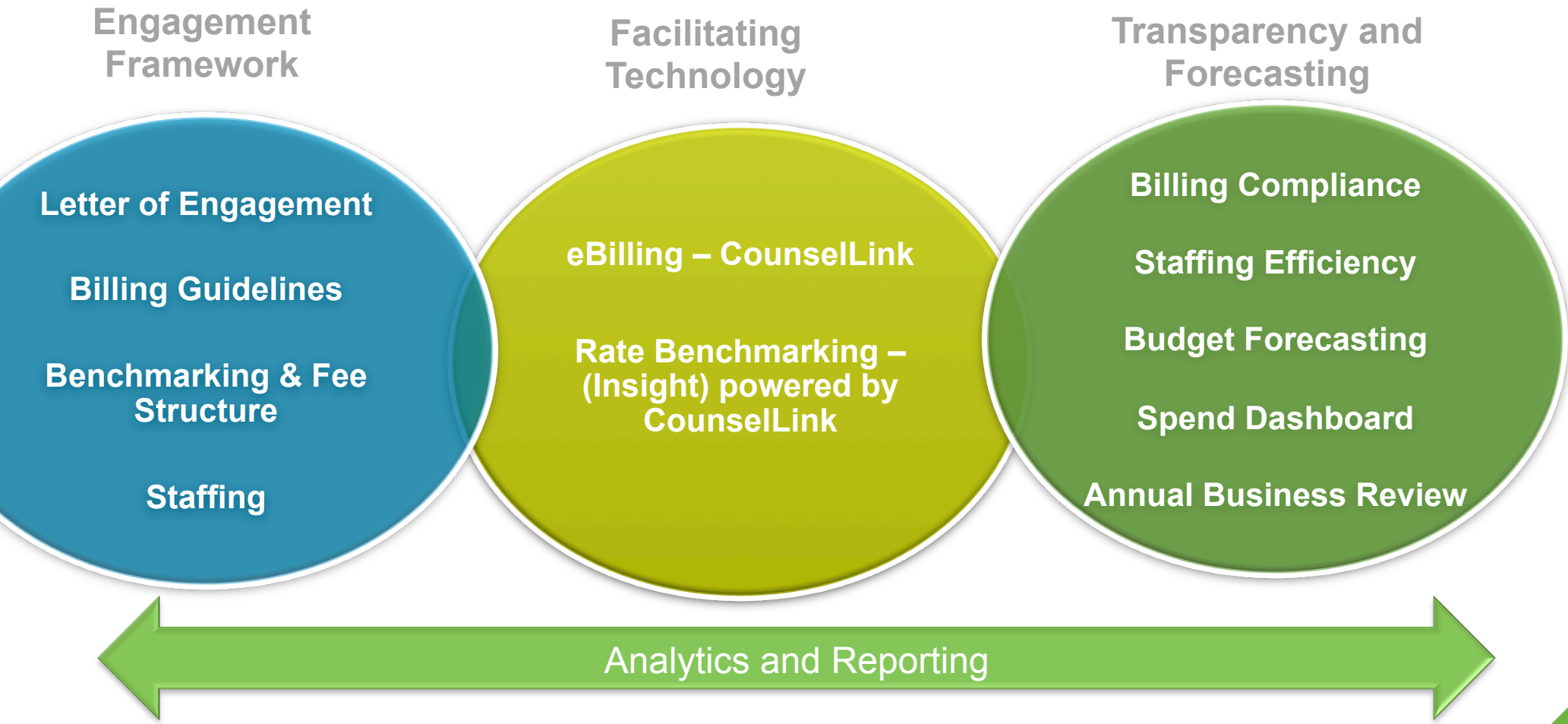
- Suitable for LPO
- In-Source, LPO, or Cost Location Outside Counsel
- Requires SME - Sr. In-house Counsel or Outside Counsel

Complexity →



Business Area: Vendor Cost Management

Reducing legal spend through value-based initiatives with law firms and legal vendors, while maintaining quality and value



Agency Initiatives: Timeline

Operations have been systematically rolling out cost saving initiatives to control law firm spend

2013	2014	H1 2015	H2 2015
Reduced legal panel by 50%	<ul style="list-style-type: none"> ★ Launched eBilling guidelines for Int'l law firms 	<ul style="list-style-type: none"> ★ 3rd Party auditor for invoice review on key matters 	<ul style="list-style-type: none"> ★ Refreshing legal preferred suppliers
Initiated vendor discounts	<ul style="list-style-type: none"> ★ Rolled-out new MSLOE & SOW template for Int'l law firms 	<ul style="list-style-type: none"> ★ Global law firm rate freeze 	<ul style="list-style-type: none"> ★ Developing competitive-bidding process for key matters
Launched rigorous eBilling guidelines for law firms US	<ul style="list-style-type: none"> ★ Implemented Int'l invoice review via CounselLink 	<ul style="list-style-type: none"> ★ Rolled out budget templates for litigation matters 	<ul style="list-style-type: none"> ★ Implementing process for legal negotiation for matters
Launched new MSLOE & SOW template for US law firms	<ul style="list-style-type: none"> ★ Insourcing: added additional litigation attorney 	<ul style="list-style-type: none"> ★ Launched GC and VP law firm and matter spend dashboard 	<ul style="list-style-type: none"> ★ Develop scorecards & KPIs for top law firms
Locked in rates on matters	<ul style="list-style-type: none"> ★ Outsourced first pass eDiscovery review 	<ul style="list-style-type: none"> ★ Launched CounselLink timekeeper rate benchmarking tool 	<ul style="list-style-type: none"> ★ Conduct Annual Business Review (ABRs) with law firms
Implemented US invoice review via CounselLink tool	<ul style="list-style-type: none"> ★ Moved first pass eDiscovery review from high cost to low cost location 	<ul style="list-style-type: none"> ★ Leveraging reporting & rate benchmarking data to inform targeted rate negotiations 	<ul style="list-style-type: none"> ★ Develop scorecards & KPIs for top law firms
Outsourced analysis of ediscovery data	<ul style="list-style-type: none"> ★ Negotiated fixed fees for suitable matters 	<ul style="list-style-type: none"> ★ Outsourced pre-culling of ediscovery data 	<ul style="list-style-type: none"> ★ Conduct Annual Business Review (ABRs) with law firms
	<ul style="list-style-type: none"> ★ Implemented IP invoice review via CounselLink 		

2013	2014	H1 2015	H2 2015
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★ Billing Control
★ Insourcing
★ Resource Reallocation



Business Area: Knowledge Management

Providing knowledge management capabilities to facilitate knowledge-sharing for a global team



Area: Professional Development

ing development programs to upskill the team to support a more complex business and to
for the long haul



Goals

- Highly skilled, engaged team
- Internal SMEs
- Service Learning: >50%
- Low Voluntary Attrition
- Low Top Talent Attrition

is Area: Communications

change management through training and promoting communications across the global team

Professional Development

- Promote training and people development opportunities
- Written and verbal communications to users on tech launches pre and post go live
- Communications on enhancements of tools and processes

Department Awareness

- All Hands and quarterly legal meetings
- Monthly department newsletters – celebrate wins and spotlight team member project contributors
- GC communications on various topics
- Share department goals, priorities, action plans, and successes with the team

Vendor Management

- External communications to law firms on new initiatives, process improvements, tool enhancements, support responses, on-boarding, and lessons learned
- Internal communications to users on tool enhancements, processes, and cost savings/avoidance

Core Values & Recognition

- Promote VMware as an inclusive employer
- External award applications (IACCM, ACC)
- Bi-annual EPIC₂ core value awards

Business Area: Data and Business Intelligence

Using operational metrics to drive better reporting, forecasting and strategic decision making and developing metrics to benchmark VMware's performance

Department Metrics	Matters and Contracts	Law Firm Management	Benefit Validation
<ul style="list-style-type: none"> Financials Workforce People Development Retention Statistics Technology Adoption Performance Incidents 	<ul style="list-style-type: none"> Contract Management Metrics Contract Cycle Times Contract Dashboard Repository Data Mining eSignature Usage Matter Management (Litigation, Compliance, etc.) 	<ul style="list-style-type: none"> Spend Per Matter Matter Forecasting Staffing Management Fee & Rate Control (Benchmarking) Billing Compliance and Oversight Annual Business Reviews 	<ul style="list-style-type: none"> Cost Savings/Avoidance Headcount Avoidance Productivity Improvement (time savings) Streamlined Processes Legal % E/R reduction

GC Dashboard - a consolidated dashboard centralizing metrics and benchmarks into a single automated and dynamic solution

Focus Area: Strategic Business Planning

From legal department budget and goals to drive enablement of business priorities



Business Area: Continuous Improvement

As a key approach in Legal Operations, VMware applies “Six Sigma” DMAIC methodology to manage projects and improve efficiencies



How Six Sigma is Used in Legal Ops

- To align legal with other business functions and gain creditability
- To identify process re-engineering and streamlining opportunities
- To set technology projects up for success via process analysis
- To determine resource allocation (in-house, LPO, outside counsel)
- To learn from failures and improve

Factors in Sequencing Initiatives



Low
Hanging fruit



Risk
Management



Groundwork /
Prerequisites



Change
Management



Satisfying
Stakeholders



Pacing



Strategic
direction
of company



Lessons Learned

“Buy in” from GC and legal management team is critical

Rational efficiency should be part of the department strategic plan

Identify quick-win, low cost projects that can be delivered in the first six months

Focus on projects that deliver enterprise-wide client/customer experience benefits

Identify key stakeholders and appoint VP level sponsors for each project

Process reengineering and streamlining are critical to the success of technology projects

Change management is key to user adoption - communicate, train, recommunicate, retrain

Track metrics that drive strategic decision-making

Celebrate small wins to keep up momentum - change is a journey, not an event!



Celebrate the Wins

s

Best for IACCM 2014 Operational Improvement Award

ACC Value Champion

Savings

1 Outsourcing cost avoidance in 2014

1 Vendor cost management savings in 2014

1 Spend as a percentage of revenue decreased by 25% over the past four years

People and Operational Successes

1 Created enterprise contract repository with robust searching and reporting on multiple contract data points

1 Reduced manual effort to draft core revenue contracts by over 50% through automation in ECMS

1 Enabled the internal team to focus on strategic work by outsourcing non-strategic work to our LPO

1 Launched training, mentoring, rotational, and talent review programs to develop the team



aterials

ware®

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Strategic Business Support Templates

The strategic business support templates were created to track Legal goal performance against defined success metrics. We report metrics and savings at quarterly & annual business reviews.

Sample Templates:

Focus Areas & Goals

Cost Efficiency & Other Group Metrics Dashboard

Law Firm Cost Management: cost savings

Resource Reallocation: cost savings and HC avoidance



Areas & Goals: GOAL SETTING TEMPLATE

Sample Temp

Legal Initiative	Goals	Measurement

Green = On track to be achieved by end of year
Yellow = Some issues, but are being addressed

Red = Get-well plan needed / still being developed
Blue = Completed



Efficiency & Other Group Metrics Dashboard

Sample Temp

	Metric	Target	Q4 FY15	Q4 FY14	% C
Efficiency	LPO Outsourcing				
	eBilling Hard Cost				
	eBilling Discount				
	Legal as a % of Revenue				
	Litigation Savings				
	Mentoring Relationship				
	Trainings				
	Attrition - Voluntary [Dept.]				
	Attrition – Top Talent [Dept.]				
ials	Budget to Actuals [Dept.]				
	Matter Forecasting Accuracy				
	Budget Performance – spend v. budget				
unications	Legal Newsletter [Dept.]				
	All Hands [Dept.]				



Law Firm Cost Management: Savings

Sample Template

Reducing spend through value-based cost control initiatives with law firms

Initiative Details	Target / Goal	% Savings	Savings*/Actual
Review and audit via CounselLink (cost savings)			
Initiated tiered/flat volume discounts (avoidance)			
freeze (avoidance)			
Allocated law firm work to lower cost managed services (avoidance)			



Total cost savings/avoidance	\$
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Resource Reallocation: Cost and HC Avoidance

Sample T

Identifying low-value, low-risk, repetitive work streams to lower cost resources and/or locations to free up core team and our law firms on supporting high value work and strategic priorities

Initiative	Details	Resource Reallocation	\$ per hour	% Savings per hour	Target Savings	Actual Savings
Core LPO (Sourcing Litigation)					-	
Core LPO (Sourcing Litigation)						
Core LPO (Sourcing Litigation)						
Discovery and Services (Litigation)						
Discovery Tools (Litigation)						

Total Cost Avoidance	
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Annual Business Review Templates

Our Annual Business Review (ABR) template was created to drive targeted fee negotiations and performance discussions with our preferred law firms.

The sample ABR template contains:

- Law Firm Profile

- Law Firm Benchmarking

- Scorecard & Asks

- Qualitative Review

- Scorecard Definitions and Criteria



Annual Business Review

Sample Template

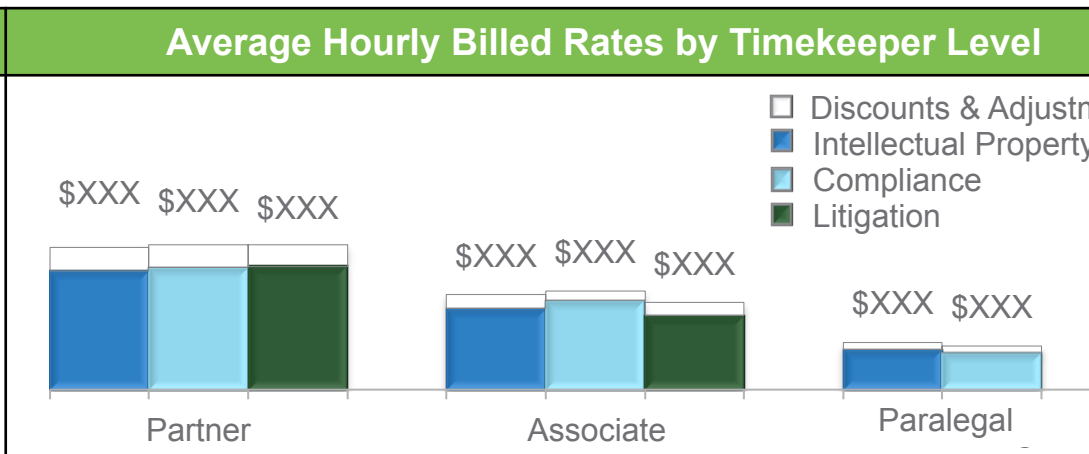
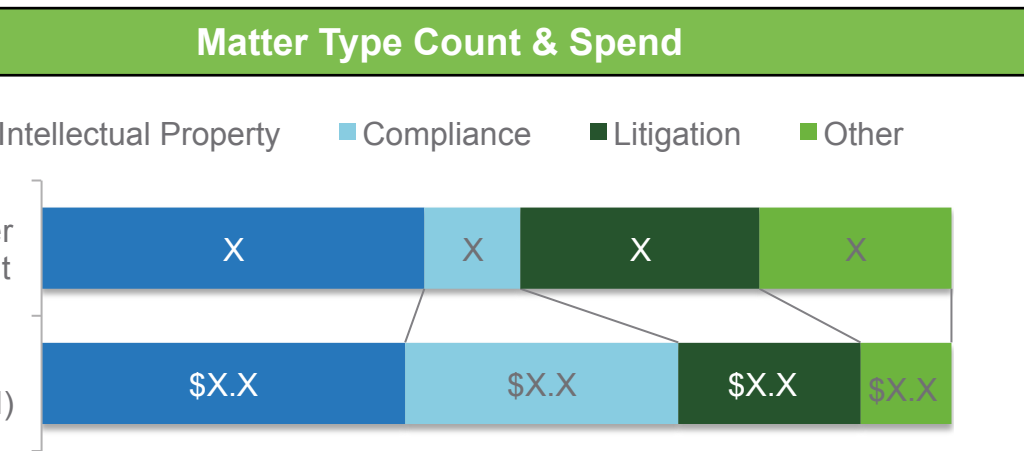
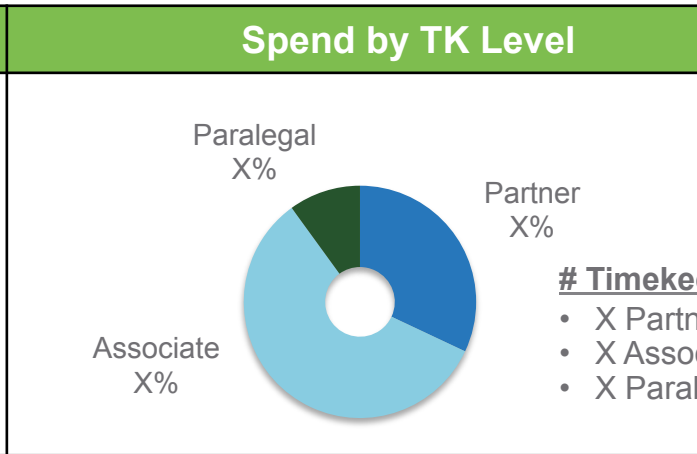
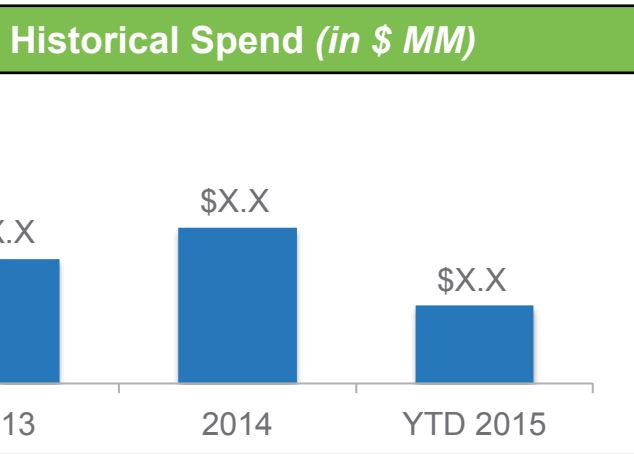
Develop with support from  **elevate**

Law Firm Profile: ABC Firm

Sample T

YTD Spend	\$X.X MM
Matters	X

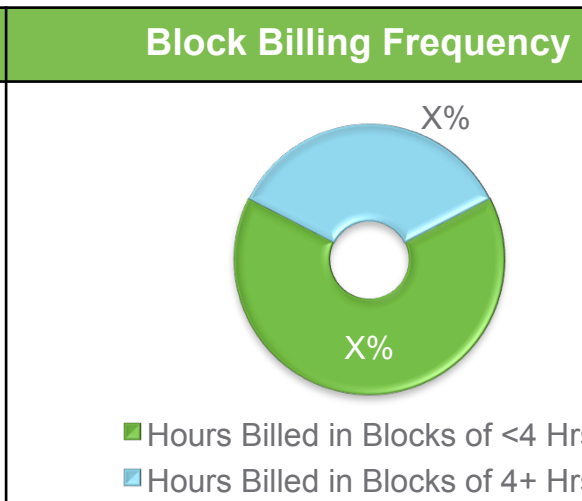
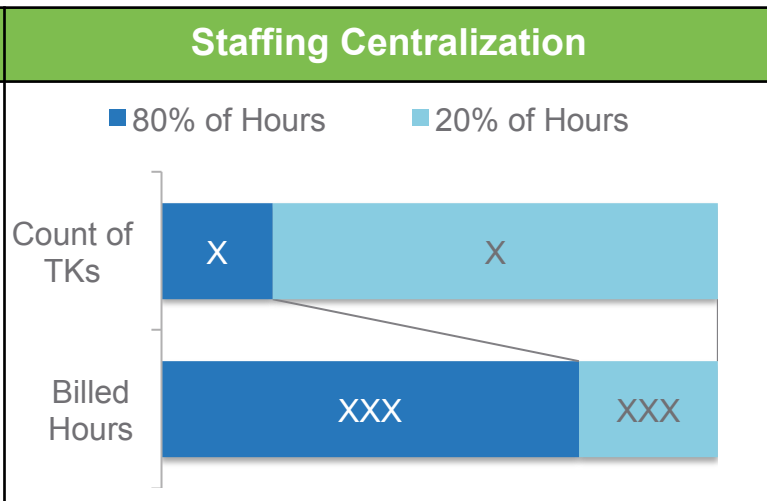
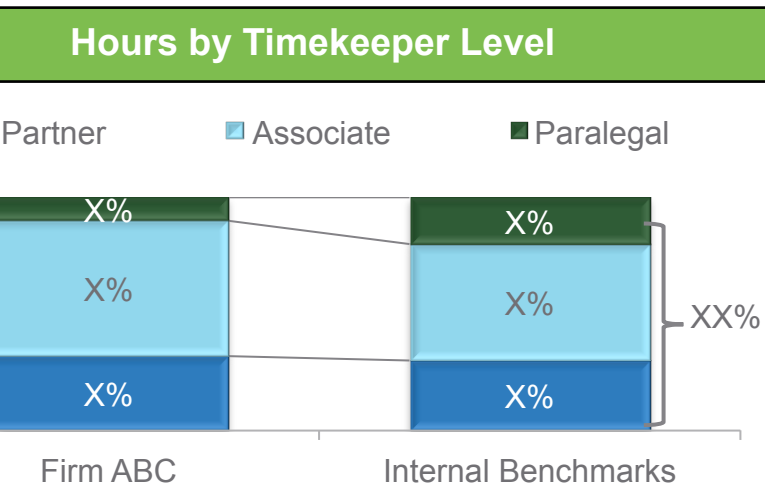
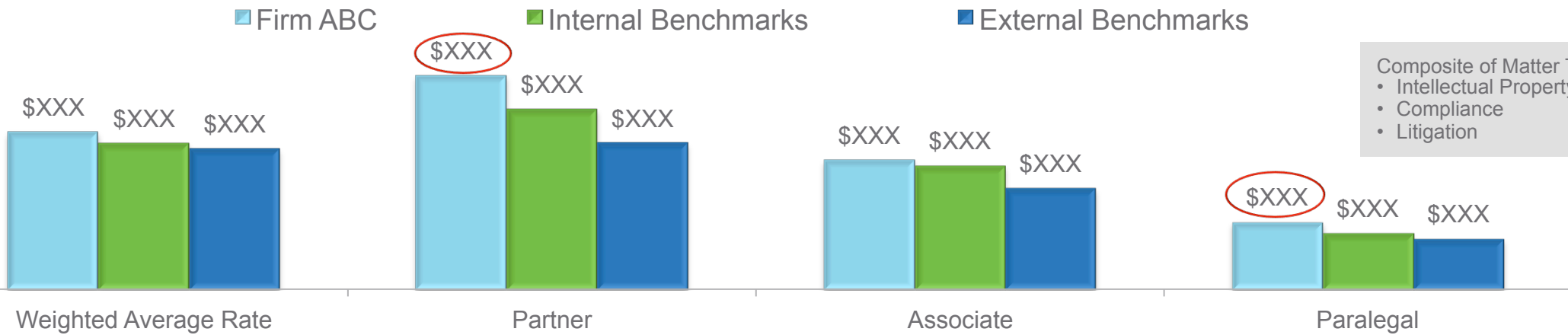
Discounts	<ul style="list-style-type: none"> X% flat discount with no volume requirements
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Firm Benchmarking: Firm ABC

Sample T

Comparison of Composite Gross Hourly Rates Charged by Timekeeper Position



Scorecard & Asks: ABC Firm

Sample T

	Sub-Area	Comments / Rationale
Rates	✓ Rate Management	
	✓ Rate Alignment within Portfolio	
Staffing and Efficiency	✓ Staffing Leverage and Alignment	
	✓ Staffing Centralization	
Billing Practices	✓ Block Billing	
	✓ Billing Timeliness	
Forecasting (Budget Only)	✓ Matter Budget ✓ Accruals	

Item Ask:



Qualitative Review: Template to be Completed by Business Stakeholders for each Firm

Sample T

Qualitative dimension, please assign a score of 1 - 5 based on a scale where 1 = Poor and 5 = Excellent
provide any pertinent comments related to each score assigned that you want considered

	Definition	Score	Comments
Expertise	Specializes in areas of need and delivers resources aligned to expertise requirements		
Alignment	Demonstrates knowledge of our business and industry		
Responsiveness	Is responsive to emails/phone calls and strives to be available when needed		
Management	Leverages project management principles to plan, manage, and deliver matter tasks		
	Thinks outside of the box to resolve business and legal-related challenges		
	Anticipates needs and proactively takes charge and leadership of situations		
Management	Delivers services in a timely and efficient manner; no delays or incomplete work		
Communication	Provides clear, concise and easily understandable guidance		
Relationship	Demonstrates strong partnership mentality and is focused on developing trust with our staff		
	Uses tools and technology to improve the efficiency of my matters		
Efficiency	Provides metrics and data on case statistics, performance, & outcomes		
Efficiency	Staffs the right resources at the right rates for the work		
Work Product	Delivers crisp, quality-focused work product and presentations		
Outcomes	Delivers outcomes on matters that meet or exceed expectations		
Comments			



Record Definitions and Criteria

Sample T

		Evaluation Criteria		
Sub-Area	Definition			
and Fees				
Management	Rates on an overall basis compared to their peers	<ul style="list-style-type: none"> ▪ \leq mean overall rate based on mix of matter types & TK hrs. 	<ul style="list-style-type: none"> ▪ $< X\%$ above mean rate based on mix of matter types & TK hrs. 	<ul style="list-style-type: none"> ▪ $\geq X\%$ above mean rate based on mix of matter types & TK hrs.
Alignment Portfolio	Rates for each timekeeper level compared to their peers	<ul style="list-style-type: none"> ▪ All TKs within $X\%$ of respective mean rates based on matter type mix 	<ul style="list-style-type: none"> ▪ Partner <u>or</u> Associate $X\%+$ above mean rate based on matter type mix 	<ul style="list-style-type: none"> ▪ Partner & Associate $X\%+$ above mean rate based on matter type mix
and Efficiency				
Staffing Leverage Alignment	Using a staffing mix that aligns with portfolio averages or set targets	<ul style="list-style-type: none"> ▪ % of Partner and Associate hrs. aligned with peer averages for largest matter type 	<ul style="list-style-type: none"> ▪ % of Partner <u>or</u> Associate hrs. exceed peer averages for largest matter type 	<ul style="list-style-type: none"> ▪ % of Partner <u>and</u> Associate hrs. exceed peer averages for largest matter type
Staffing Utilization	Using a focused set of individuals vs. a spread set of individuals	<ul style="list-style-type: none"> ▪ $X:X$ Non-Partner / Partner ratio <u>and</u> ▪ $X\%$ billed hours with $\leq X\%$ of individual TKs 	<ul style="list-style-type: none"> ▪ $< X:X$ Non-Partner / Partner ratio <u>or</u> ▪ $X\%$ billed hours with $> X\%$ of individual TKs 	<ul style="list-style-type: none"> ▪ $< X:X$ Non-Partner / Partner ratio <u>and</u> ▪ $X\%$ billed hours with $> X\%$ of individual TKs
Practices				
Billing	Instances where line items likely contain multiple activities bundled together	<ul style="list-style-type: none"> ▪ $< X\%$ hours billed in $X+$ hr. blocks 	<ul style="list-style-type: none"> ▪ $X-X\%$ of hours billed in $X+$ hr. blocks 	<ul style="list-style-type: none"> ▪ $> X\%$ of hours billed in $X+$ hr. blocks
Timeliness	Invoices issued in a timely manner after work performed	<ul style="list-style-type: none"> ▪ Invoices issued $\leq X$ days after charge date 	<ul style="list-style-type: none"> ▪ Invoices issued $\leq X$ days after charge date 	<ul style="list-style-type: none"> ▪ Invoices issued $> X$ days after charge date
Timing (Litigation Matters Only)				

APPLYING TECHNOLOGY TO LITIGATION FOR IMPROVED EFFICIENCY AND CONTROL

Melissa A. Anderson
Litigation Technology Manager
3M Legal Affairs Operations

Science.
Applied to Life.™

ACC Annual Meeting

Lisa A. Anderson

Patent Technology Manager, 3M Legal Affairs Operations

October 19, 2015

Since 1902

**3M Global Science
Company**

Operations in 71 Countries

100,000 Employees

100+ Factories

100+ Laboratories

10,000+ Products

5,000 Patents

100+ Person Global Legal Team

100+ Lawyers



3M Legal Affairs Operations

Driving Operational Effectiveness In All Aspects Of 3M's Legal Department Through People, Process and Technology



3M Litigation Technology Services

Measure of Control

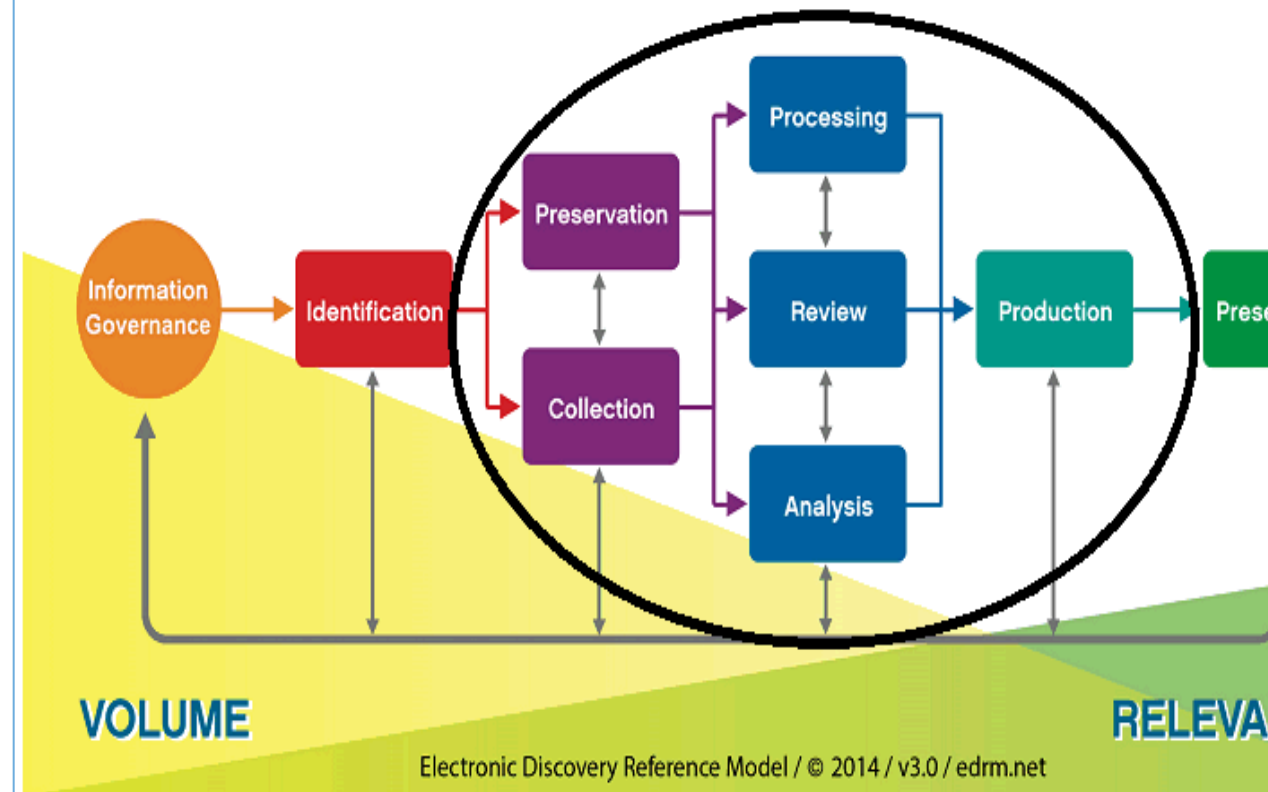
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Project Analysts/Specialists
Contract Attorneys
Vendor Partners

Expertise
Project management
Electronic discovery
Document review
Right technology at the right
time

Value
Cost and quality-conscious
Consistent, defensible processes
Internal, "Knows 3M"

Core Areas of Service

Electronic Discovery Reference Model



Process Model



Early Case Assessment

(e.g. Identifying correct data sources, eDiscovery Planning Meetings)

Culling

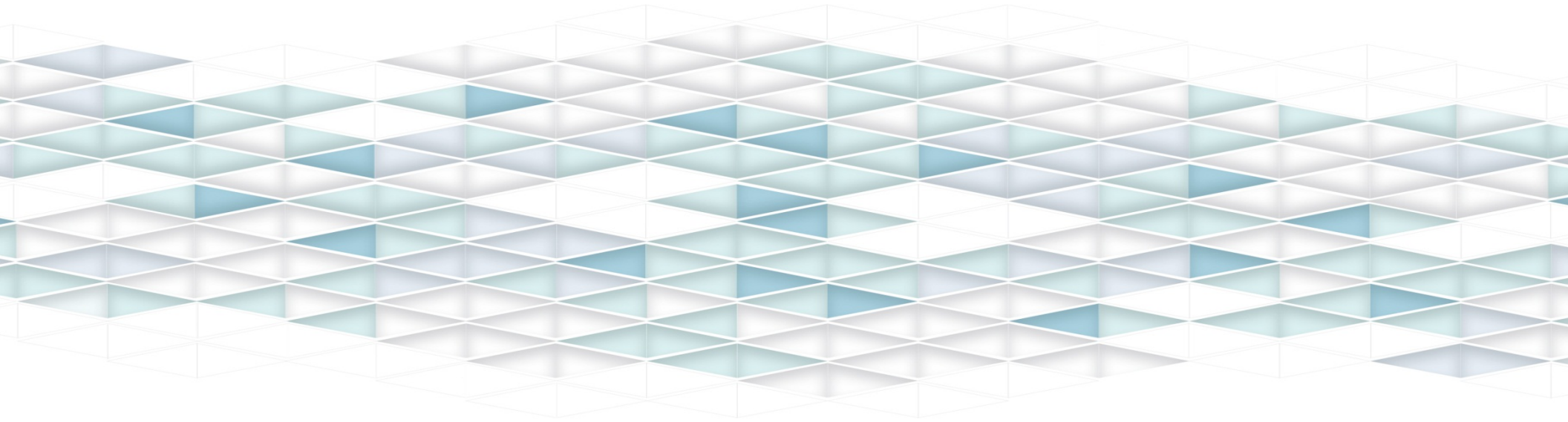
(e.g. Deduping, Date Filtering, Keyword Filtering)

Technology Assisted Review

Final Review & Production

Building a Best-In-Class Small Legal Department

Terrence Thompson
Manager of Legal Department Operations
Yazaki North America



Yazaki North America, Inc. 2015 ACC Value Champion

errence T. Thompson's Profile

errence T. Thompson is the Manager of Legal Department Operations at Yazaki North America, Inc., where he manages the business operations of the legal department and compliance office, and supports the VP, General Counsel, Secretary & Compliance Officer on corporate governance matters and company-wide training initiatives.

Responsibilities:

Strategic Planning

Contract Management

Project Management

Process Management

Technology Management

Vendor Management

Financial Management

errence serves on Yazaki's Operational Governance and Planning Team as well as the Financial Budget Planning Committee.

Education: MBA (Project Management); BS (Criminology and Criminal Justice)

Certifications: Project Management Professional (PMP)





Dashboards

Legal Department SharePoint Dashboard

Service Request (How can we help you?) / Solicitud de Servicios Legales (Como podemos ayudarle?)

General

Contract/
Contratos

NDA/
Convenios De Confidencialidad

Litigation/
Litigio

Employee Dashboard

Requestor's BU/FG/Affiliate : Indirect Purchasing - U.S. & Canada

Status : Canceled - Cancelado

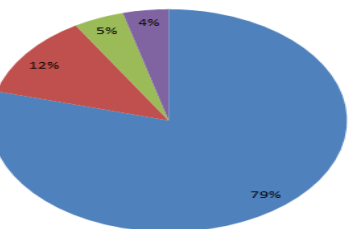
Status : Complete - Terminado

Status : In Progress - En Proceso

Status : Released for Signature - Liberado para firmas

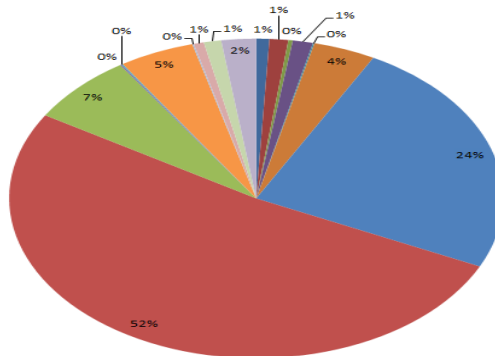
Reporting

Total Requests Submitted by Type - (P74 - July '14 - June '15)



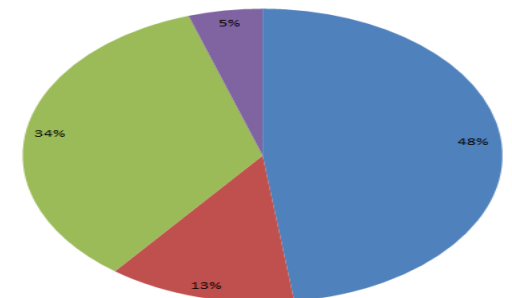
Contracts
NDAs
General
Litigation/Claims

Contract Requests by BU-FG-Affiliate (P74 - July '14 - June '15)



COMBU
EIBU
ELCOM
Engineering
Environmental
Finance
HR
Indirect Purch
IT
Office of Quality
Office of Chairman
Operations
Planning & Costing
TPNO
USOEM
YSS

Status of Submitted Contracts (P74 - July '14 - June '15)



Dashboard (Cont'd.)

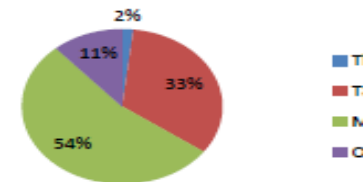
KPI Chart

KPI CHART (P74 - KPI Metrics for NDAs & Contracts)

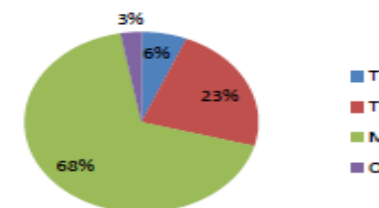
KPI Definitions	
Threshold:	Agreement turnaround time is 2 working days after receipt of request or due date using YNA template; (2 to 4 working days turnaround using the contracting party's template).
NA Target:	Agreement turnaround time is 1 working day after receipt of request or due date using YNA template; (1 to 3 working days turnaround using the contracting party's template).
Maximum:	Agreement turnaround time is same day of receipt of request using YNA template; 1 to 2 working days turnaround using the contracting party's template.
NA Other:	Agreement turnaround time in excess of Threshold.

KPI Definitions	
Contract Threshold:	Services Agreements, Lease Agreements, Equipment Leases: turnaround time is 3 working days after receipt of request and all final documentation required for legal review using YNA template; (4 to 5 days using contracting party's template). Amendments/Renewals: turnaround time is 2 working days after receipt of request and all final documentation required for legal review using YNA template; (3 working days using contracting party's template). Complex IT Contracts: turnaround time is 6 working days after receipt of request and all final documentation required for legal review using contracting party's template.
Contract Target:	Services Agreements, Lease Agreements, Equipment Leases: turnaround time is 2 working days after receipt of request and all final documentation required for legal review using YNA template; (3 to 4 working days using contracting party's template). Amendments/Renewals: turnaround time is 1 working days after receipt of request and all final documentation required for legal review using YNA template; (2 working days using contracting party's template). Complex IT Contracts: turnaround time is 5 working days after receipt of request and all final documentation using contracting party's template.
Contract Maximum:	Services Agreements, Lease Agreements, Equipment Leases: turnaround time is 1 working day after receipt of request and all final documentation using YNA template; (2 to 3 working days using contracting party's template). Amendments/Renewals: turnaround time is same day of request and all final documentation using YNA template; (1 working day using contracting party's template). Complex IT Contracts: turnaround time is 4 working days or less after receipt of request and all final documentation using contracting party's template.
Contract Other:	Agreement turnaround time in excess of Threshold.

P74 Aggregate NDAs THru June '15



P74 Aggregate Indirect Purchasing Contracts Thru June '15



Leveraging the Ops Function to Tame the External Spending Beast

Aaron J. Katzel

Head of Global Legal Operations Center
American International Group, Inc. (AIG)

AIG's Legal Operations Center – Who Are We and What Do We Do?

Aaron Katzel
Head of AIG Legal Operations Center

... resource to allow AIG's Claims and
 ... Legal functions and our insureds to
 ... obtain the best legal outcomes at
 ... overall value through:

... able, consistent reporting and analysis
 ... legal matters

... ust operations and systems
 ... support of legal processes

... lified, competitively sourced panels of
 ... proved outside counsel and non-law
 ... legal vendors

... s and processes to mitigate legal risks

Dennis Grogan
 Senior Vice President
Firm Management

Cliff Dutton
 Senior Vice President
**Strategies, eDiscovery and
 Vendor Management**

Brian McGovern
 Senior Vice President
**Process and Information
 Legal Chief Data**

Mission:

To provide AIG's legal functions and our insureds with panels of approved outside counsel qualified to support their individual needs, at rates and terms obtained through uniform, transparent, competitive processes

Mission:

To implement innovative programs to manage non-law firm legal processes and risk for AIG and our insureds by advising stakeholders on preferred practices, and providing panels of approved vendors qualified to support their individual needs, at rates and terms obtained through uniform, transparent, competitive processes

Mission:

To allow AIG and our insureds to consistently obtain the best legal outcomes at the best cost via analysis and reporting metrics, and the design and maintenance of systems of our legal processes

Legal Operations Center reduces legal costs while maintaining or improving legal outcomes

Our story

- AIG is one of the world's largest users of legal services, with over \$2 billion in annual legal spend
- We have unique challenges and opportunities due to the huge volume of legal matters and spend we manage on our own behalf and our insureds
- This required us to develop scalable expertise in legal cost management services, allowing us to reduce overall legal spend by more than \$300 million annually while maintaining or improving performance

Perspectives on the legal market

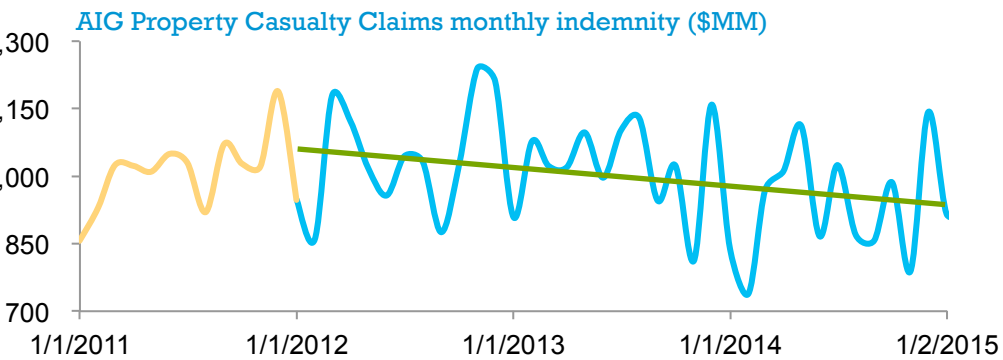
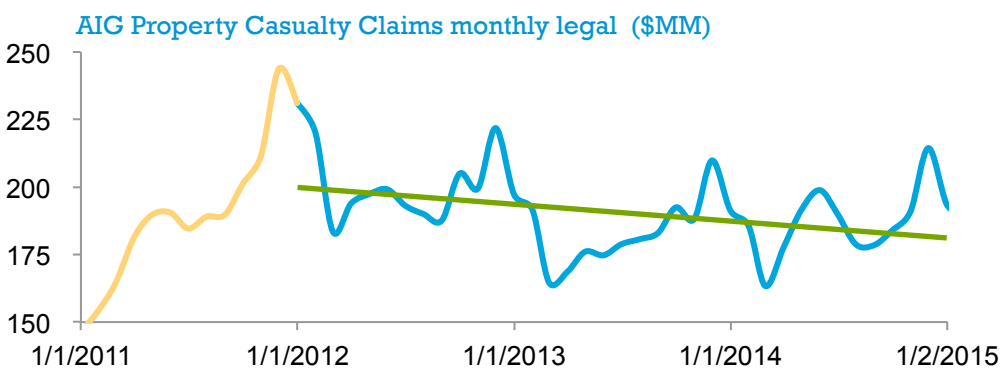
- The \$279 BN US legal spend market is poised for significant disruption and cost reduction
- Even though savings opportunities exist, it has been challenging for many companies to extract value
- Despite challenges, we have learned that significant value can be realized by:
 - converting legal data into actionable business intelligence
 - harnessing buying power to benefit from competitive pricing dynamics
 - deploying IT and process expertise to identify and pursue opportunities to act effectively at scale

Lessons Learned

- Quickly identify short term, medium term, and long term goals and stick to them
- Find your most likely champions and help them succeed
- Separate the signal from the noise and guide the conversation back to the signal
- Trumpet your successes (and your partners') but also acknowledge when results fall short

Reduced costs and increased the value in the legal services provided to AIG and our insureds

Reduced legal costs while maintaining quality of services since 2012



year-end 2014
 Monthly spend shown as three month rolling average

Our track record¹

Over \$2 BN
 Annual legal spend under management

\$305 MM
 Annual savings generated

1,200+
 Law firms in LOC's network

35
 Countries' law firm panels managed

90%
 Penetration of top 200 law firms

3
 Years managing AIG's legal spend

75
 Dedicated employees

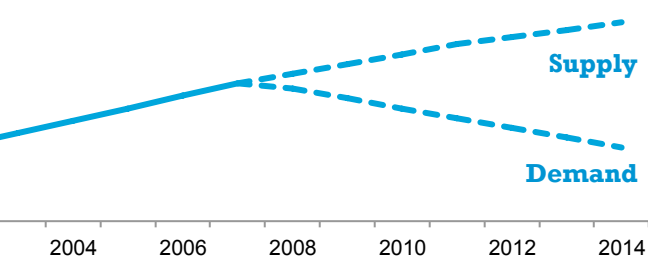
100+
 Reverse auctions conducted

25+
 Specialty law firm panels created

1,100+
 Matters resolved via AIG programs

Market context - a significant shift in control away from law firms to buyers of legal services

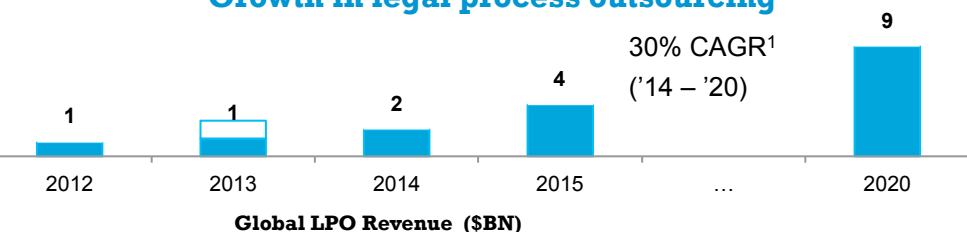
Growing gap between supply and demand of US legal services



Legal services bubble - Growth in financial activity (e.g., debt securitization, real estate services) before the crisis, and bankruptcy and other litigation since 2008

Sharp drop in demand - Weak economic environment reduces amount of financial activity and squeezes corporate legal budgets, post-crisis bankruptcy and litigation tapering off

Growth in legal process outsourcing



Excess supply of lawyers in labor market

73,600 New jobs for US lawyers (2010-2020)
250,000 US law school graduates (2010-2020)

Market entry of non-law firm providers

The Big 4 accounting firms have been stealthily building up legal-services divisions and are “the biggest underestimated threat to the legal profession today”

- The Economist³

Large law firm business models under pressure

Following the bankruptcies of, Dewey & LeBoeuf, Howrey, Heller Ehrman and Thelen, experts predict further law firm failures and a move toward less cumbersome legal partnerships

- ABA Journal²

¹and View Research LPO Market Analysis report; ²“Era of great expectations for BigLaw ended with bankruptcy of Howrey, Dewey and others, say experts” – Martha Neil, ABA Journal; ³“Attack of the bean-counters” – The Economist

has it historically been hard for clients to consistently obtain better value from the legal market?

challenges

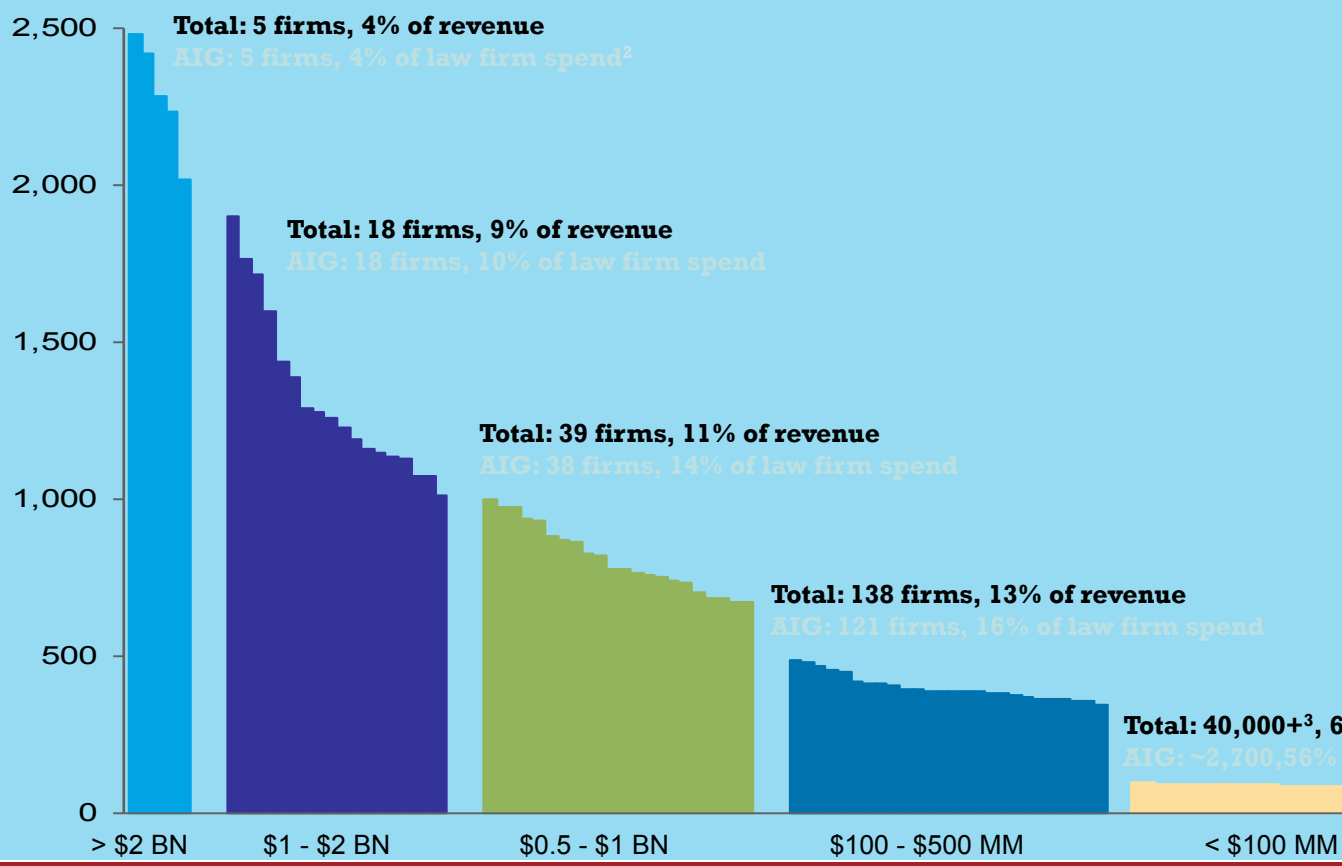
Distribution of law firms¹ by revenue
 \$ MM

Legal market is fragmented and law firms are subscale

Widespread belief that reducing legal costs will harm legal outcomes

Procurement not involved in managing legal costs due to complexity

Lack of effective technology and analytics solutions



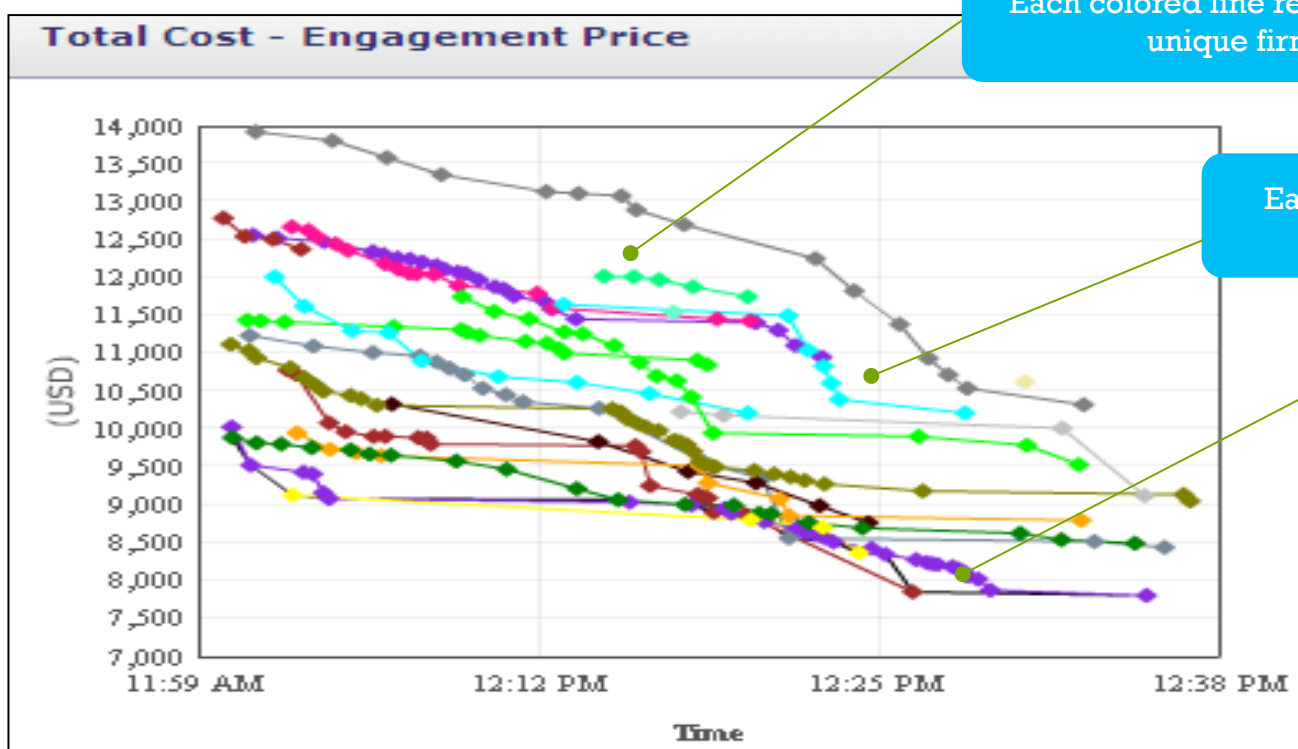
1 Top 200 law firms from the 2013 AmLaw listing
 2. 2014 Consolidated Legal Spend Report
 3. Extrapolated from the 2005 ABF Lawyer Statistical Report

Response – leverage diverse strengths to build portfolio of services to create value for A our insureds that can be leveraged broadly

Source of value	LOC solution
Process innovation	<p>Contract attorney review</p> <ul style="list-style-type: none"> - Transfer routine tasks from law firm associates to contract attorney firms - Conduct quality reviews on legal service providers <p>eDiscovery</p> <ul style="list-style-type: none"> - Move law firm processes to panel of specialized technology providers with competitive commercial terms and processes <p>Predictive coding</p> <ul style="list-style-type: none"> - Provide policy, business and technology guidance to leverage predictive analytics and minimize eyes-on review
Margin reduction	<p>Law firm & non-law firm vendor management</p> <ul style="list-style-type: none"> - Conduct automated RFI's, RFP's and reverse auctions to set rates methodically through competition - Leverage scale to obtain cost efficiency via market data and pooled purchasing power
Legal service management	<p>Law firm management</p> <ul style="list-style-type: none"> - Manage law firm performance with user-generated dashboards and legal audit review - Establish and enforce adherence to best practice matter management guidelines
Additional cost avoidance	<p>eBilling & bill review</p> <ul style="list-style-type: none"> - Replace manual billing with eBilling to generate better data and automated application of rate cards and guidelines - Leverage systems automation for first-pass bill review - Use the speed of eBilling to secure prompt payment discounts
Alternative models	<p>AfAs & ADRs</p> <ul style="list-style-type: none"> - Leverage alternative fixed fee structures and mediation for more efficient delivery of legal services and results

Use automated, competitive pricing tools to deliver significant, sustainable savings

Real time pricing developments in law firm base rate reverse auctions



Each colored line represents a unique firm

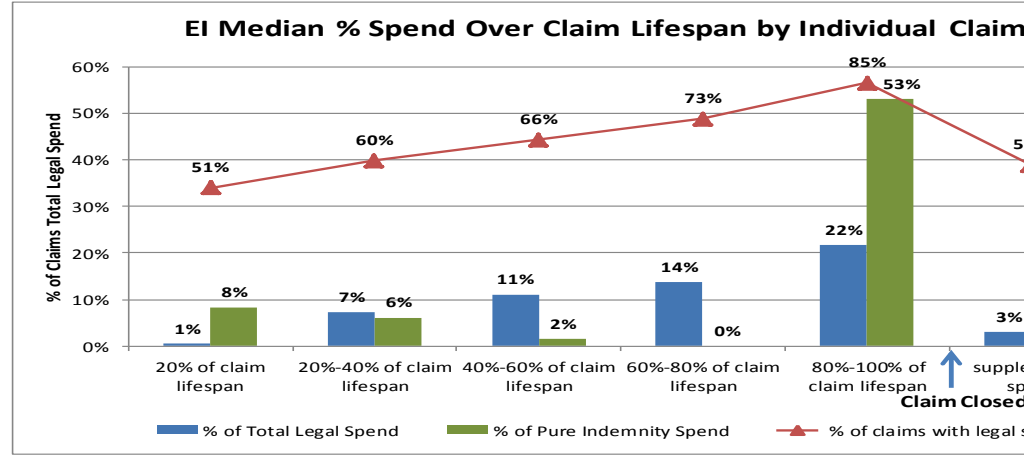
Each dot represents a single reduced bid

Movements are displayed in real time and displayed to each bidder during the auction

Aggregate AIIG's significant volume of data to develop key legal trend insights and user dashboards

- Converting legal invoice data into meaningful analytics
- Detailed analysis of legal spend and matter attributes
- Performance-based law firm / vendor identification
- Alternative strategy structuring based on data driven
- Understanding of historical results

KPI	Oct-2014	Sep-2014	Aug-2014	Jul-2014
Total Paid on Closed Matters	\$2,004,182.38	\$3,184,010.99	\$3,429,225.56	\$7,022,079.75
Total Law Firm Paid on Closed Matters	\$100,621.87	\$209,401.77	\$184,363.45	\$233,624.69
Closed Matter Count	32	60	51	07
Median Total Cost per Claim	\$20,152.73	\$27,870.93	\$27,142.25	\$30,562.07
Average Total Cost per Claim	\$65,443.20	\$53,006.95	\$67,239.72	\$104,816.12
Median Pure Indemnity per Claim	\$20,131.97	\$13,075.24	\$14,339.70	\$14,715.16
Average Pure Indemnity per Claim	\$40,420.19	\$31,769.39	\$44,289.83	\$49,693.49
Median Medical Paid per Claim	\$10,885.87	\$11,140.71	\$14,580.43	\$12,055.22
Average Medical Paid per Claim	\$28,241.50	\$26,191.56	\$26,458.92	\$63,738.90
Median Total Legal Paid per Claim	\$4,102.56	\$3,813.49	\$4,237.20	\$4,088.50
Average Total Legal Paid per Claim	\$4,212.49	\$4,144.60	\$4,983.52	\$5,347.19
Median Law Firm Paid per Claim	\$3,335.51	\$3,442.47	\$3,652.33	\$3,306.74
Average Law Firm Paid per Claim	\$3,422.56	\$3,490.03	\$3,814.97	\$3,489.92
Median Matter Duration	175	150	169	147
Average Matter Duration	147	145	165	147
New Matter Volume	6	10	17	44
Closing Ratio	533.33%	600.00%	300.00%	152.27%
Average Count of Currently Approved Specialties				
Average Variance of Paid to Budgeted Amount	\$-4,584.46	\$-5,653.38	\$-5,057.00	\$-3,393.96
Ratio of Pure Indemnity to Law Firm Legal	11.44	7.89	11.05	12.06
% of Claims with Law Firm Spend and No Indemnity	15.03%	13.33%	9.80%	8.90%



in-house counsel, for in-house counsel®

* All numbers and analysis examples are for illustration purposes only and do not represent actual AIIG performance

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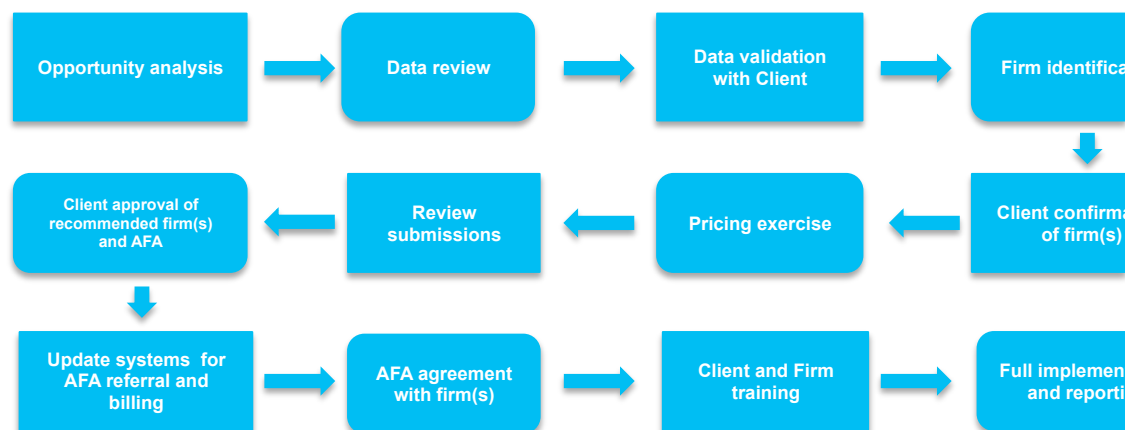
Deploy scalable, data-driven programs for assessing & implementing AFA programs

AFA categories

- Fixed fee by deliverable
- Fixed fee by matter / case
- Capped fee
- Success fee
- 5. Holdback fee
- 6. Fixed fee portfolio
- 7. AFA other

Have developed optimal use cases as well as savings calculation methodologies for each category

AFA approach



AFA Value

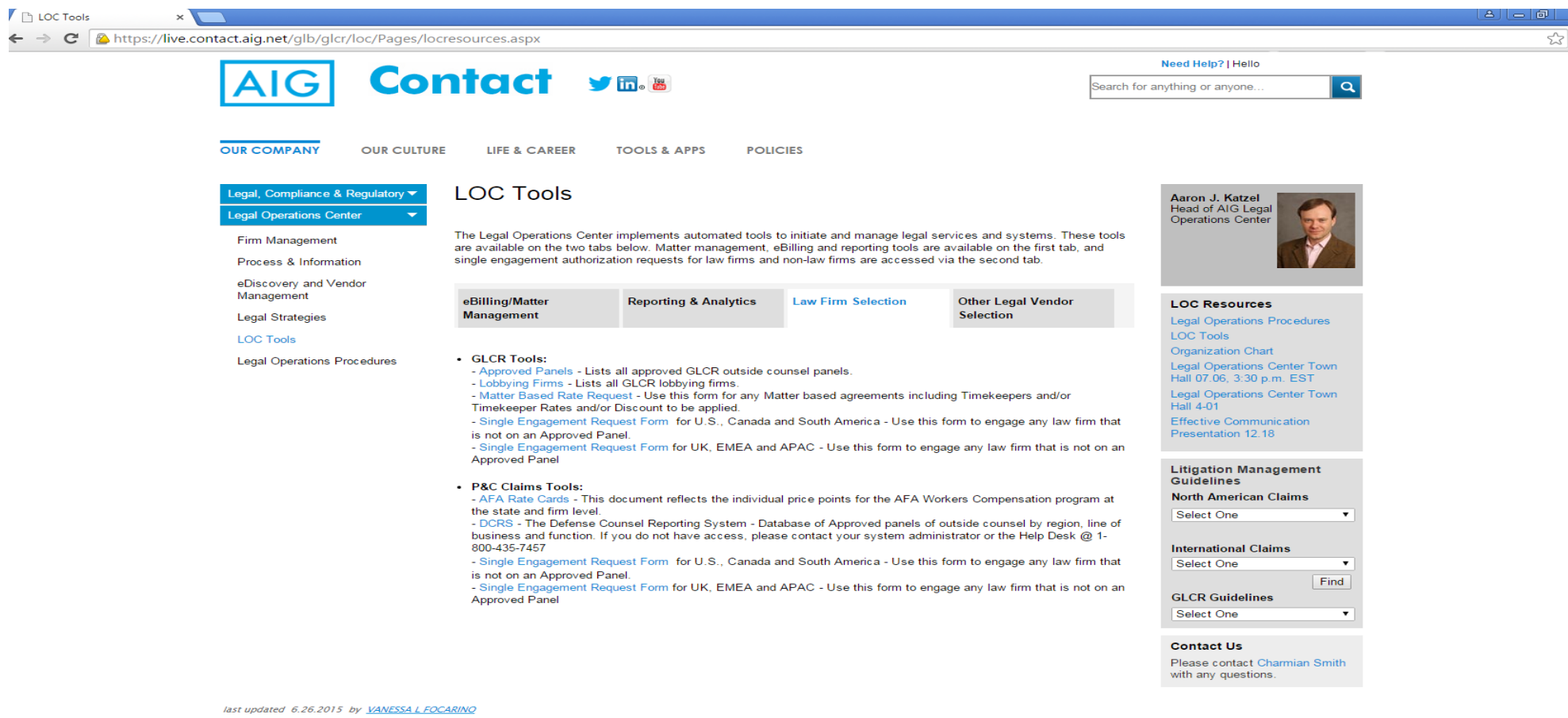
- Specificity
- Scalability
- Flexibility
- Cost certainty



Impact for clients

- AFA's scope can be per firm, matter or sub-matter
- Both high frequency and high complexity matters can be supported via AFAs
- AFA types can be combined
- Rate certainty is de-emphasized

Automate Business Process Automation to Deliver Faster, Better Service At Scale



LOC Tools

https://live.contact.aig.net/glb/glcr/loc/Pages/locresources.aspx

AIG Contact

Need Help? | Hello

Search for anything or anyone...

OUR COMPANY OUR CULTURE LIFE & CAREER TOOLS & APPS POLICIES

Legal, Compliance & Regulatory
Legal Operations Center

Firm Management
Process & Information
eDiscovery and Vendor Management
Legal Strategies
LOC Tools
Legal Operations Procedures

LOC Tools

The Legal Operations Center implements automated tools to initiate and manage legal services and systems. These tools are available on the two tabs below. Matter management, eBilling and reporting tools are available on the first tab, and single engagement authorization requests for law firms and non-law firms are accessed via the second tab.

eBilling/Matter Management **Reporting & Analytics** **Law Firm Selection** **Other Legal Vendor Selection**

- GLCR Tools:**
 - [Approved Panels](#) - Lists all approved GLCR outside counsel panels.
 - [Lobbying Firms](#) - Lists all GLCR lobbying firms.
 - [Matter Based Rate Request](#) - Use this form for any Matter based agreements including Timekeepers and/or Timekeeper Rates and/or Discount to be applied.
 - [Single Engagement Request Form](#) for U.S., Canada and South America - Use this form to engage any law firm that is not on an Approved Panel.
 - [Single Engagement Request Form](#) for UK, EMEA and APAC - Use this form to engage any law firm that is not on an Approved Panel.
- P&C Claims Tools:**
 - [AFA Rate Cards](#) - This document reflects the individual price points for the AFA Workers Compensation program at the state and firm level.
 - [DCRS](#) - The Defense Counsel Reporting System - Database of Approved panels of outside counsel by region, line of business and function. If you do not have access, please contact your system administrator or the Help Desk @ 1-800-435-7457
 - [Single Engagement Request Form](#) for U.S., Canada and South America - Use this form to engage any law firm that is not on an Approved Panel.
 - [Single Engagement Request Form](#) for UK, EMEA and APAC - Use this form to engage any law firm that is not on an Approved Panel.

LOC Resources

[Legal Operations Procedures](#)
[LOC Tools](#)
[Organization Chart](#)
[Legal Operations Center Town Hall 07.06, 3:30 p.m. EST](#)
[Legal Operations Center Town Hall 4-01](#)
[Effective Communication Presentation 12.18](#)

Litigation Management Guidelines

North American Claims

Select One

International Claims

Select One

Find

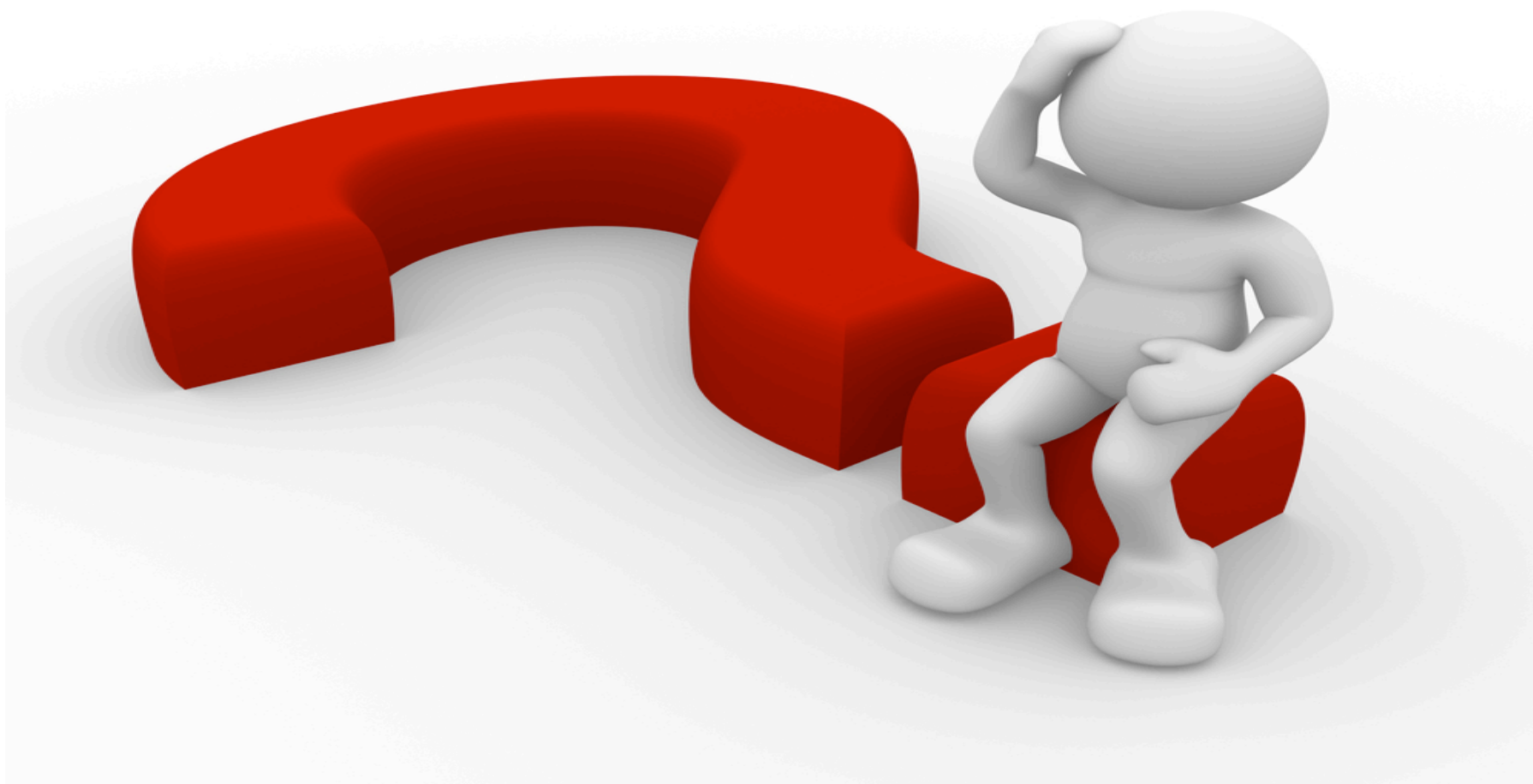
GLCR Guidelines

Select One

Contact Us

Please contact [Charmian Smith](#) with any questions.

last updated 6.26.2015 by [VANESSA L. FOCARINO](#)



Meet The Champions

6:30 – 7:00 PM today, during the reception

ACC Classroom in the Exhibit Hall



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