



2015 CLM Annual Conference
Palm Desert

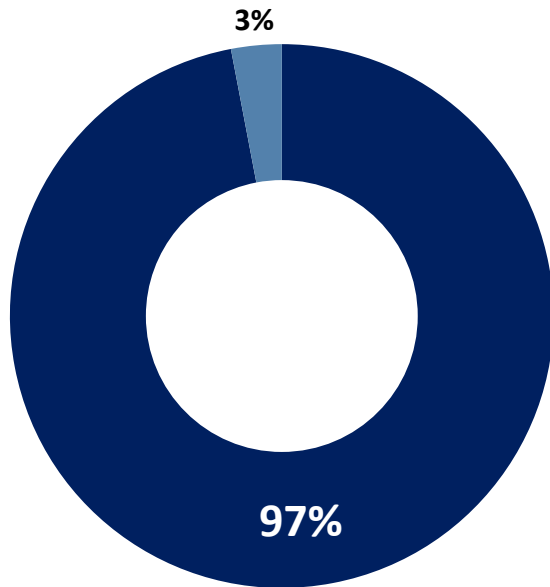
The Claim Management Link: Interplay between Risk Tolerance, Operational Structure, Litigation and Claim Outcomes

Presenters: Glenn Shapiro, *Liberty Mutual Insurance*
G. Mark Thompson, *Marshall Dennehey Warner Coleman & Goggin*

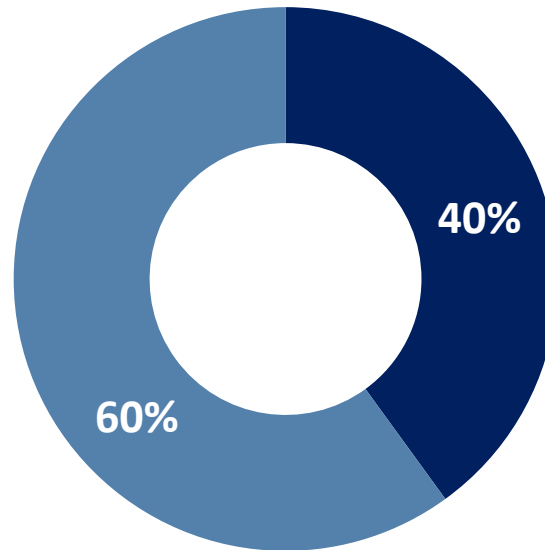
The Current Environment

Increasingly polarized environment across severity spectrum

Claim Volume



Indemnity



■ Low End ■ High End

3% of the claim volume makes up **60%** of the indemnity

Current Environment: Frequency

Industry opportunity to be more disciplined

Frequency versus severity

High volume attorneys

Limited case knowledge

Low volume of actual trials

Settlement volume valued over settlement amount

Soft fraud / hard fraud

Build up of diagnostics compared to treatment

Unbundling of medical

Current Environment: Severity

Industry must react to increasing expertise and new challenges

Front-end investment

Damages over liability

TBI

PTSD

Life care plans

National experts

Sophisticated training

Trends driven by heightened awareness and media attention

Operating Model Design

Different approaches to succeed at each end of the spectrum

Average Cost: \$10K

High Frequency

- Repeatable Process
- Consistent Philosophy / Discipline
- Supporting Tools
- Clear Operational Metrics
- Quality Assurance

Guiding Principles

Consistency, Tools, Repeatable Process

Average Cost: \$750K

High Severity

- Strong Expertise
- Triage Capabilities
- Hyper-segmentation
- Legal Partnerships
- Expert Resources

Guiding Principles

Expertise, Resources, Alignment

The Life Cycle of 1,000 AL/GL Claims

Vast majority of cases settle pre-litigation; few go to trial



End-to-end Design for Better Outcomes

Changing culture requires deep alignment



Mindset



Tools



Controls

End-to-end Design for Better Outcomes

Changing culture requires deep alignment



Mindset

- Organizational tolerance of potential losses
- Common philosophy
- Broad change management approach

End-to-end Design for Better Outcomes

Changing culture requires deep alignment



Mindset

Be a strong advocate for our insured

Fairly evaluate and proactively negotiate

Accept only the % of liability for which the insured is responsible

Fairly and accurately offset settlement values for the comparative or contributory negligence of the claimant

Appropriately mitigate excessive damages in our evaluations

Build and execute negotiation plans with facts and arguments supporting a fair settlement value.

Stand by your settlement valuation

Make our best offer prior to incurring significant defense expenses

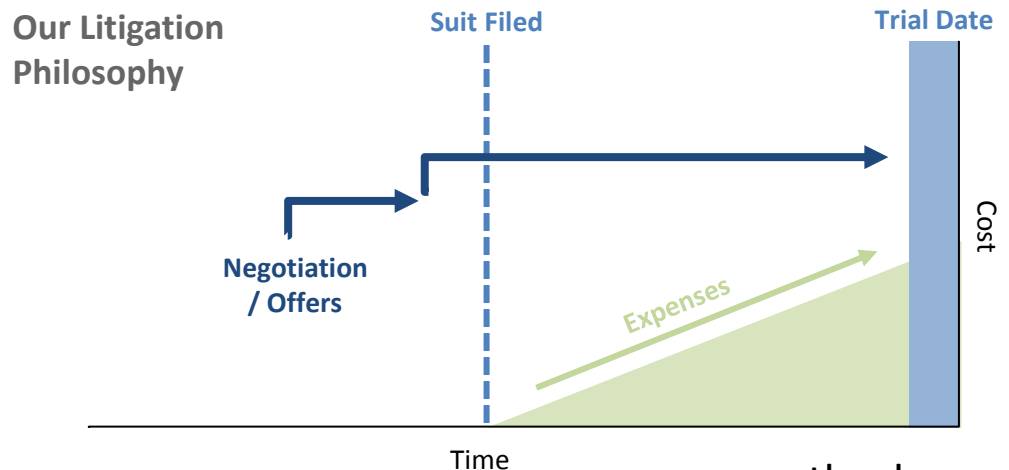
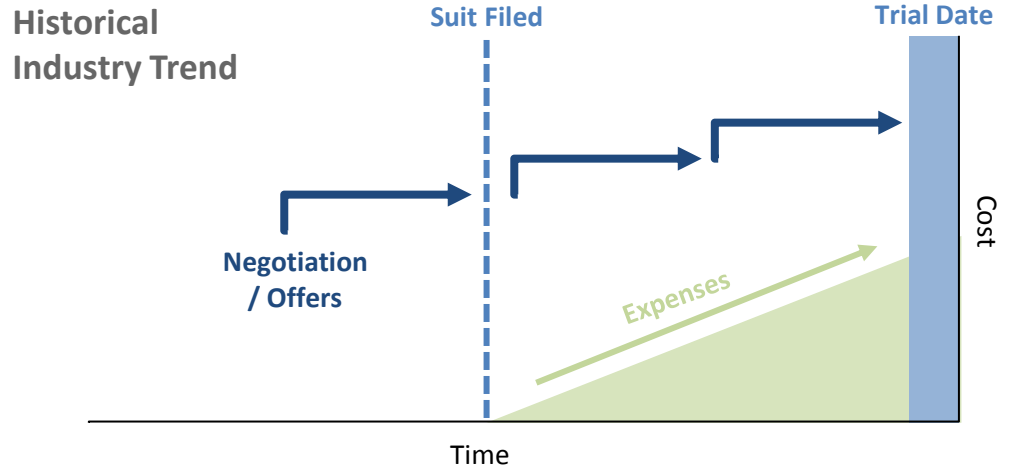
Litigation, threat of litigation, or trial are not value-changing events

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Mindset



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Tools

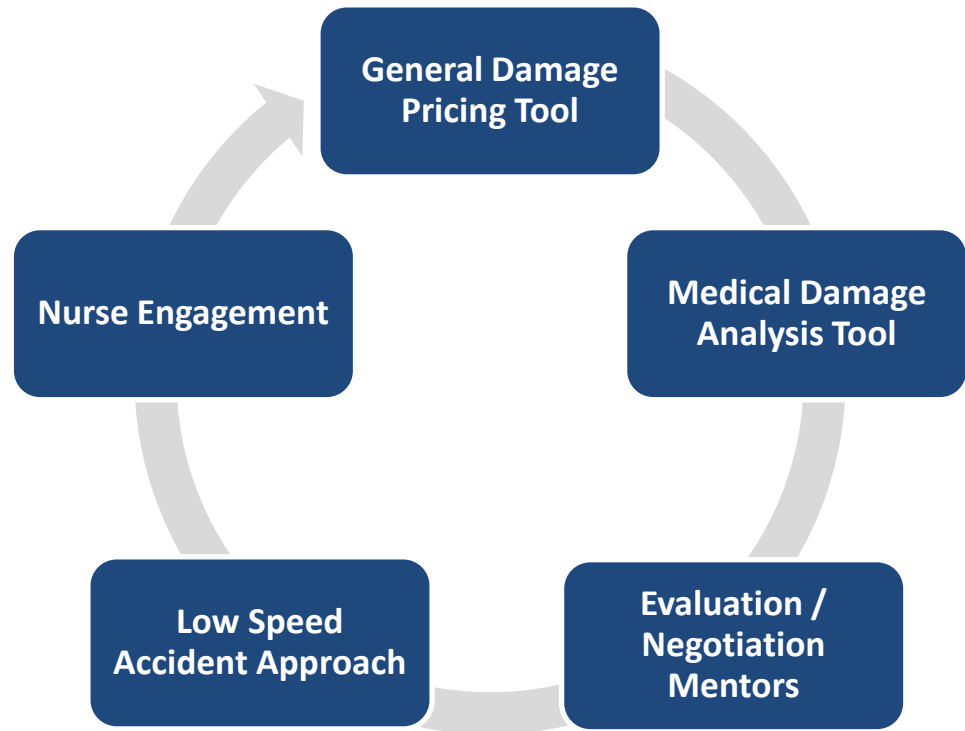
- General damage support
- Medical damage support
- Liability offset support
- Negotiation support

End-to-end Design for Better Outcomes

Changing culture requires deep alignment



Tools



End-to-end Design for Better Outcomes

Changing culture requires deep alignment



Controls

- Leader coaching
- Quality Assurance
- Visual management
- Sharing results
- Trial approval process
- Documentation of value-changing events

Segmentation

Severe claims require specialization applied early in the process

Industry Verticals

Energy

Construction

Hospitality

Claim Categories

Construction Defect

Labor Law

Intellectual Property

Injury Types

Traumatic Brain Injury

Spinal Cord

Toxic Tort

Operating Model

Ownership, direct dealing and multiple sets of eyes
deliver best outcomes

**Segmented
Complex team**

**Minimal individual
authority**

**Roundtable
process**

**Trial approval
process**

Direct handling

**Direct
negotiations**

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Q & A