



GUIDELINES FOR COUNSEL INVOLVED IN SURETY MATTERS

Introduction

These guidelines apply in all matters where Liberty Mutual Surety (LMS) retains outside legal counsel. These guidelines, however, do not restrict nor are they intended to impede any attorney's independent exercise of professional judgment in rendering professional services to LMS.

Budgets

Budgets are useful in our evaluation of each matter on which we retain vendors and are required in all instances when the fees and expenses are anticipated to equal or exceed an aggregate of \$100,000 on an Account or at the request of the LMS Claim Representative. Outside vendor should update these budgets as developments in the case warrant.

Staffing

Outside vendor should designate one professional to have primary responsibility for the matter. Upon prior approval of the LMS Claim Representative, other personnel may be assigned to the matter as workload and efficiency requires, but we expect consistency in the staff assigned to the matter. Overall staffing considerations should be discussed with the LMS Claim Representative or Legal Counsel, when so retained, at the beginning of the assignment and as needed when events warrant changes in strategies and assignments.

Billing

Billing Procedure

CounselLink

1. When an outside vendor is initially engaged to represent Liberty and the outside vendor's information is not currently in Liberty's billing program, CounselLink, outside vendor is responsible for uploading the appropriate information in CounselLink in order to process future invoices.
2. When uploading outside vendor's information into CounselLink, outside vendor must insert the current "remit to" address for future payments. Outside vendor is responsible for making sure

the remit to payment information is current. At any time the remit to address is no longer valid, outside vendor must upload the new address in CounselLink. All invoices will be sent to the remit to address in CounselLink at the time the invoice is processed.

Frequency of Billing

1. Invoices shall be submitted monthly. Any invoices submitted more than 6 months after services were rendered will be paid at the discretion of the LMS Claim Representative.

Billing Content

1. Attorneys shall submit separate invoices for salvage related activity and expenses (P400 Codes and salvage related E Codes) from all other activity and expenses (C100, P100, P200 & B110) and non-salvage related expenses (E Codes). Claim Handler is instructed to reject invoices containing both salvage related codes and non-salvage related codes. Additionally, claim handlers are instructed to reject invoices which are incorrectly coded.

Billing Format

1. **Heading.** The first page of the invoice must state:
 - a. Caption of the case including the full name of the plaintiff/claimant, if applicable
 - b. Name of the Principal
 - c. Claim number
 - d. Bond number
 - e. Start and end dates of the month or an indication that the invoice is final.

2. **Task Codes.** The Liberty Mutual Group requires that firms are Uniform Task-Based Management System (UTBMS) compliant and able to provide UTBMS information in an industry format.

Glossary of UTBMS Codes **All Matters** for Liberty Mutual Surety:

Phase	Code	Definition
Investigation	C100	All time spent on various activities including but not limited to fact gathering; researching law; analysis and advice; third-party communications <i>prior</i> to formal performance or payment bond claim(s) being asserted or activities not specifically related to a bond
Performance and Commercial Bond Claims (litigation and non-Litigation)	P100	All time spent on various activities related to a specific performance bond or a commercial bond whether or not in litigation, including but not limited to fact gathering, project review and administration, resources for an

		collaboration with engineering and/or accounting team(s), legal research, analysis and advise; third-party and first party communication, pleadings, motions, discovery, court appearances, account preparation and review, mediation/arbitration, negotiations, pre-trial and trial, appeals
Payment Bond Claims (litigation and non-litigation)	P200	All time spent on various activities related to a specific payment bond or bonds for an account whether or not in litigation, including but not limited to fact gathering, claim review, resource for and collaboration with engineering and accounting team(s), legal research, analysis and advice; third-party communications, pleadings, motions, discovery, mediation/arbitration, negotiations, pre-trial and trial, appeals
Affirmative Claims/ Indemnity/Salvage (litigation and non-litigation)	P400	All time spent on various activities related to the enforcement of any and all affirmative claims, indemnity rights or defenses or salvage efforts (exclusive of contract balances which should be included in the performance bond phase) for which the surety has decided to investigate, review or pursue related to an account, whether or not in litigation, including but not limited to fact gathering, claim review, resource for and collaboration with engineering and accounting team(s), legal research, analysis and advice; third-party communications, pleadings, motions, discovery, mediation/arbitration, negotiations, pre-trial and trial, appeals
Bankruptcy	B110	Case Administration; Operations; Claims and Plan; and Bankruptcy-related Advice
Expenses/Experts	E101	Copying
	E102	Outside printing
	E103	Word processing
	E104	Facsimile
	E105	Telephone
	E106	Online Research
	E107	Delivery Services/Messenger
	E108	Postage
	E109	Local Travel (Mileage)
	E110	Out of Town Travel (airfare, hotel, rental car)
	E111	Meals
	E112	Court fees
	E113	Subpoena Fees
	E114	Witness Fees
	E115	Deposition Fees
	E116	Trial Transcripts
	E117	Trial Exhibits
	E118	Litigation Support Vendors
	E119	Experts
	E120	Private Investigators
	E121	Arbitrators/Mediators Fees
	E122	Local Counsel
	E123	Other Professionals

3. **Body.** The invoice must be prepared with daily entries showing:

- a. Date the work was performed;
 - b. Initials of the person providing the service;
 - c. Description of the work performed, by single activity, with the associated UTBMS phase, task and/or expense code, if applicable; and,
 - d. Actual time in tenths of an hour for each single activity.
4. **End of Invoice Summary.** The invoice must include:
- a. Full name of each professional;
 - b. Status of each timekeeper (i.e., partner, associate, paralegal);
 - c. Hourly rate of each timekeeper;
 - d. Total hours and total amount charged for each timekeeper during the billing period;
 - e. Aggregate amount and hours charged to date on the assigned matter; and,
 - f. Summary level UTBMS data; and subtotal amounts for both fees and expenses.

Invoice Submission

Electronic Invoicing. The Liberty Mutual Group is committed to electronic submission of professional services invoices through a secure web based process. It is required in all surety matters. Invoices should be submitted through CounselLink Lexis-Nexis.

Charges for Service

Single Entry Timekeeping

Unless otherwise directed, the time for each activity should be separately stated. All charges for services must be recorded based upon their actual time in one-tenth hour increments. Grouping multiple activities under a single time charge greater than one-tenth of an hour ("block billing") should not be employed, absent authorization from the Liberty Mutual Group.

Information Descriptions of Services

Descriptions of services should inform of the nature, purpose or subject of the work performed, and the specific activity or project to which it relates. Firms should be sure to include detail such as the numbers of pages or other information to quantify the volume or project reviewed to support the time billed. For example, entries for page-line deposition summaries (when permitted) or document analyses must provide sufficient detail to describe the scope of the task or include the number of pages summarized or reviewed.

Maximum daily time

Attorney shall charge for services based upon their actual time spent working on the file. Total time charged for a single day shall not exceed 8.0 hours unless approved by LMS in advance. Approvals may be requested by telephone call to LMS's claim handler.

Travel time

The billable rate for travel time shall be at one-half the billable hourly rate.

Compensation

Outside vendor retained on any matter will be compensated at the agreed rate(s) then on file with Liberty at the time of the engagement through the life of the matter. Agreed upon rates shall be as requested by the law firm and approved by LMS for each attorney authorized to work on the file.

Hourly rate increases for existing assignments will not be considered unless the assignment continues for a considerable period of time and only then on a special exception basis. Rate increases may be approved for new matters only, and must be submitted for consideration before the assignment begins.

Pre-approval Required

Outside vendor must obtain our approval to attend trial, any court appearances, meetings, depositions, witness interviews, inspections, and other similar functions.

Multiple Attendance

LMS will not pay for multiple timekeepers from one firm to attend the same meetings, conferences, court appearances, etc. unless pre-approval has been given by the LMS Claim Representative.

Legal Research

Counsel must obtain approval before conducting any legal research for which it intends to bill us where counsel anticipates the research will require more than one hour's time. Copies of all research results and memoranda shall be provided to us upon request.

Motions

Unless an emergency or other time constraints make it impracticable to do so, counsel must obtain pre-approval before filing any motion on our behalf.

Revising Standardized Forms/Pleadings

Only the actual time spent in personalizing standardized pleadings, documents, or discovery responses or requests to the case at hand should be billed, rather than the time originally spent drafting standard language.

Disbursements

Overhead Expenses

In the absence of an advance agreement to the contrary, we anticipate that incidental expenses and routine or recurrent tasks are considered the firm's overhead. Any associated cost or expense is assumed to have been incorporated within the firm's agreed to hourly rate or fee structure.

The following items, though not exclusive, are included in this category:

- Bates stamping/document numbering
- Books, magazines, subscriptions, and educational materials
- Budget, invoice, and audit preparation and responding to billing inquiries
- Computer software, hardware, programming, and maintenance
- Conflicts of interest checks
- Continuing education seminars
- Courier charges, including in-house messenger service
- Equipment purchase or rental (e.g., copier, fax, postal machine, etc.)
- Facsimile charges (incoming and outgoing)
- Group outings/hospitality
- Legal research resources, including Lexis and Westlaw usage unless approval is given
- Local travel (50 miles radius of the firm's office)
- Mark-ups or surcharges added by the firm
- Meals, excluding those during billable travel; including refreshments during meetings
- Next day air/overnight mail
- Office supplies
- Overtime
- Postage
- Professional associations or other fees
- Rent on facilities
- Support staff service charges
- Telephone bills (including cell phones and long distance)
- Temporary help
- Training materials or sessions
- Utilities

External Expenses

We will reimburse you for:

- Court filing fees
- Court reporting services
- Deposition transcripts
- Jury fees
- Subpoenaed records

- Witness fees

The law firm will be reimbursed without mark-ups or surcharges for the following, when agreed to following our approval:

- Consultants
- Expert witness fees
- Imaging
- Overnight travel
- Photocopy charges

It is expected that your firm shall pay individual vendor bills under \$300, and include the disbursement on the firm's next invoice. Individual bills over \$300 may be sent to us for payment. Vendor bills must reference the vendor's Tax Identification Number, our claim number, our bond number, and be accompanied by a w-9.

Disbursements should be itemized on the firm's statement with the following information:

- the name of the vendor
- the date incurred
- a specific description of the expense

Travel Expenses

- Local Travel. Travel within a 50 mile radius of the firm is considered local travel. Expenses and disbursements incurred in local travel are considered overhead and within the firm's rate structure.
- Non-local Travel. Outside vendor must obtain our approval prior to incurring non-local travel expenses. What constitutes reasonable reimbursement for hotel accommodations, meals, and ground transportation depends upon the locale visited. First class travel, luxury hotel accommodations are not considered reasonable. Mileage will be reimbursed at the IRS rate prevailing on the date of travel.

Professional Services

Counsel must obtain our approval prior to incurring expenses for experts, consultants, investigators, temporary attorneys or outside paralegals, or other professional services. Expenses for professional services will be reimbursed at actual cost.

Receipts

Itemized receipts for expenses billed and costs advanced must accompany invoices.

Secretarial and Clerical Activities

Secretarial and clerical work is considered overhead within the firm's rate structure. As examples and not as a complete list, secretarial and clerical work includes receipt and distribution of mail, new file set up, maintenance of office and calendars, transcribing, copying, posting, faxing, e-mailing, inserting documents into and retrieving documents from the file, maintaining order in the file, stamping documents, tabbing sub-files, and assembling materials.

Invoice and File Review

Outside vendor recognizes that the Liberty Mutual Group has the right to review and audit all invoices for services and disbursements pertaining to the matter for which the firm has been engaged by the Liberty Mutual Group, and, further, that the Liberty Mutual Group has the right to review and audit outside vendor's file. However, such invoice and file review and audit, including the review of documents, must be done in a manner that does not compromise the attorney-client privilege, reveal client confidences or diminish the protection afforded defense counsel's work product.

Audit

Payment of invoices and expenses on a file does not constitute a waiver of any of the Liberty Mutual Group's rights to request reimbursement resulting from an evaluation or audit of your firm's invoices.

Internal Billing Dispute Resolution

If the Liberty Mutual Group adjusts a legal invoice, explanation for such action shall be given by the Liberty Mutual Group, and the firm shall be given the opportunity to explain the disputed items.

Escrow Accounts

The scope of your work may involve disbursing funds to claimants, subcontractors and material suppliers through an Escrow Account. In such cases, you will be required to comply with LMS' Guidelines established for Escrow Accounts. These guidelines will be supplied separately.

Record Retention

Outside counsel must retain materials for a minimum ten (10) years from the conclusion of the underlying action on behalf of the Surety.

Outside counsel shall provide the Surety with access to or copies of retained materials upon request of the Surety.

It is the Firm's responsibility to maintain an inventory of documents throughout the project.