

THE **AI-ENABLED** INSURANCE DEFENSE FIRM

A STRATEGIC ROADMAP FOR AN ERA OF DISRUPTION

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The question is no longer *if* AI will impact the legal industry, but how.

As OpenAI's CEO Sam Altman has noted, today's AI is the least capable it will ever be. For insurance defense law firms, this shift is not a distant possibility; it's a present-day strategic challenge that is reshaping client relationships and internal firm dynamics.

AI is perceived as an existential threat by some and an incredible opportunity by others. In this turbulent environment, where social, economic, and technological pressures converge, the ultimate competitive advantage will belong to firms that become a source of stability and truth. This is a time for transparent leadership that avoids false promises of a work-free utopia or dire warnings of obsolescence. It is a time to create a clear picture of the future, outlining both the opportunities and the challenges.

Navigating this requires a new mindset. We believe the single biggest mistake a firm can make is to relegate its AI strategy to IT vendors. This is not about technology driving your firm; **it is about your firm's leadership driving its technology**. The goal is to empower your people with vetted tools and clear protocols—creating a structure that manages risk while encouraging the very creativity that will unlock AI's true potential.

Here is a practical roadmap for leading your firm through this transformation.



PHASE 1: Laying the Foundation (0–12 Months)

FOCUS: Safe innovation, data hygiene, and adoption transparency

The foundational work you do now will determine your ability to compete in the future. The theme for this year is establishing a framework for safe innovation, cleaning up your data, and confronting the human challenges of adoption with honesty.

1. Build the "Safe Sandbox": Your Formal AI Usage Policy

This is a non-negotiable, immediate priority. Too often, firms either have no AI policy at all or rely on documents that don't reflect how work is actually done. We recommend that a real policy is not a list of restrictions, but a set of guardrails that creates a "safe sandbox" for innovation.

A clear policy should enable creativity within a secure structure:

- **Define Permissible Tools:** Sanction specific, secure, enterprise-grade AI platforms. This gives your team powerful tools to work with while explicitly forbidding the use of personal or public LLMs for any client work.
- **Establish Data Guidelines:** Outline exactly how client and firm data can and cannot be used, ensuring confidentiality is paramount.
- **Mandate Disclosure:** Create a clear process for internal disclosure when AI is used in creating work product. This is not just about compliance; it is about understanding how these tools are being used and sharing the value they're creating across the firm.

2. Conquer Your Data Silos

We advise our clients that this is the single most important action they can take this year. Your firm's historical data, such as case outcomes, matter cycles, and timekeeper activity, is your most valuable, proprietary asset in the AI era. LLMs are powerful, but they are only as good as the data they can access. If your data from time & billing, accounting, document management, email, and voicemail systems is not integrated, and if relevant data from text messages is not captured, that information remains trapped.

Many law firms are already adopting some form of AI, ranging from a few Microsoft Copilot licenses to a variety of third-party applications. But without a unified data strategy, these efforts stay piecemeal. Clean, consolidated data creates a massive competitive advantage. It lets you train models, generate insights, and predict outcomes with far greater accuracy than relying on generic tools.

3. Confront the Adoption Dilemma

Technology adoption in law firms has always been a top-down challenge. You are likely facing a dual problem: some people are using unsanctioned AI, while others resist it. Younger associates may fear that AI will replace the very tasks they need to hit their billing targets.

Leadership's role is to address this fear head-on with a clear and honest vision.

- **Update Your Development Framework:** We recommend that performance reviews evolve to reward efficiency, project management skills, and the effective use of sanctioned technology explicitly.
- **Show Them a New Path:** It is important to demonstrate how using these tools to produce better, faster results leads to advancement. The goal is to shift their focus from hours logged to value created, and to show them that the firm is invested in their long-term success in this new paradigm.

PHASE 2: Building the System (Months 12-24)

***FOCUS:** Incentives, tools, and top-down leadership*

With a solid foundation, you can begin building the systems and culture of an AI-enabled firm. This phase is about upgrading your tools, refining your message, and leading the cultural shift with conviction.

1. Redefine Metrics and Create Positive Incentives

Once you begin to change the conversation around performance, we advise that you back it up with real incentives. Consider creating direct monetary bonuses for teams and individuals who successfully integrate AI to improve case outcomes and efficiency. This sends a powerful message that the firm is serious about a new definition of value and directly counters the fear that AI is only a threat to compensation.

2. Invest in "Good Enough" System Upgrades

Don't wait for a perfect all-in-one platform. If your core systems are outdated, even a modest investment in modern, cloud-based software with open APIs is a smart move. Breaking down data silos now is better than waiting for a miracle product that may never arrive. The goal is progress, not perfection.

3. Lead the Cultural Shift from the Top

Many of us can remember senior partners who refused to use email, forcing secretaries to print every message and costing firms incalculable sums in lost efficiency. Today, a similar reluctance exists around AI, and ironically, it's often most pronounced among the very lawyers who stand to benefit the most.

Just as AI has enabled physicians to spend less time on administrative tasks and more time on diagnosis and discussion with patients, the same opportunity exists in legal. For seasoned attorneys, AI can free your most senior practitioners from tedious work like filling out timesheets or reviewing volumes of discovery, to focus on what they do best: crafting strategy, delivering analysis, and winning cases. Firm leadership must actively champion these use cases - not only to drive adoption, but to demonstrate AI's real value.

At the same time, leaders must address the valid concern that these efficiency gains can reduce the hands-on experience younger lawyers need to develop sound judgment and skill. This tension between efficiency and skill-building is real. While there is no easy solution, it is critical for leaders to acknowledge it and actively develop new models for mentorship and training in an AI-enabled world.

PHASE 3: Shaping the Future (1–3 Years Out)

FOCUS: Billing models, analytics, and talent strategy

This is where your foundational work pays off, allowing you to implement more sophisticated strategies that create a durable competitive advantage.

1. Evolve Billing Models in Partnership with Clients

With a year or more of data on AI-driven efficiencies, you can move beyond theoretical conversations about billing. The future will require more sophisticated, value-based models.

- **Pilot "Deliverable-Based Billing":** We suggest approaching a trusted key client to run a pilot program. Use your data and AI tools to break down a typical client matter into its discrete deliverables or the identifiable components that contribute to a successful outcome. While every case has nuances, you can create a pro forma set of deliverables and price them based on the value they provide. This pilot program should be designed to be flexible, allowing you to adjust the components and their pricing as you learn what truly drives results.
- **Develop a Shared "Alignment Model":** This pilot program should be coupled with a new concept: a transparent Alignment Model. This is not just about billing; it is a new way of structuring the client-firm relationship for a true win-win. The model should seek to align the firm's goals (profitability, efficiency) with the client's goals (predictable costs, favorable case outcomes). It involves collaboratively categorizing efforts into "necessary" and "optional" and thinking in terms of potential outcomes. This model, co-developed using your firm's experience and AI-driven insights, becomes the mechanism to calculate and share the mutual benefits of a more efficient, effective partnership.

2. Implement AI-Powered Analytics

Once your data is clean and accessible, you can deploy more advanced tools to generate a wide range of analytics and operational KPIs. Here are just a couple of examples of what becomes possible:

- **AI Timekeeping:** Pilot emerging AI timekeeping tools to automate time capture, which not only improves accuracy but also frees up hundreds of hours of attorney time per year.
- **Profitability Analysis:** Feed this rich data into analytics platforms to gain a sophisticated understanding of client and matter profitability, moving beyond simple revenue-per-hour to true profit margin.

3. Cultivate the "Lawyer-Strategist"

Your long-term talent strategy will need to shift. With AI handling many of the routine tasks that junior associates once performed, we recommend being more deliberate in your hiring. The focus can move from hiring bodies to fill billable hour quotas to recruiting and developing strategists. The future value of your partners will be their ability to provide high-level strategic counsel. AI will draft the first version. Your lawyers must craft the final, winning argument. **That's the shift.**

The Foundation: Moving from Short-Term Tactics to Long-Term Strategy

For any of this roadmap to be effective, firms should confront a difficult truth: as a profession, we are often poor strategic planners. The traditional law firm model runs on short-term income generation. Capital investments are often minimal or, worse, mis-prioritized and spent on physical office space based on an outdated viewpoint of how work gets done, while critical investments in technology and training systems are deferred.

This short-term focus can create a broken strategic planning process. Many firms hire a consultant, develop a plan, and then shelve it, having expended their budget and attention. When implementation stalls, it's easy to conclude planning itself is a waste of time. It is not. But a broken process is.

It has been our experience at PerformLaw that our clients who undertake and keep up with a disciplined strategic planning process create better organizations and achieve better results. It is true that some firms thrive without a formal written plan. These organizations are typically reliant on a uniquely talented leader like a CEO or managing partner who thinks and acts strategically, essentially executing a plan that lives in their head. The risk, however, is that these firms are wholly dependent on the vision of one or two individuals and lack an institutional process for when retirements happen.

Furthermore, this leadership style works best when times are good. In periods of significant disruption, a well-communicated, formal plan becomes essential. It ensures everyone in the firm understands the vision, goals, and priorities, providing the stability and clarity people need to navigate uncertainty, rather than relying solely on the managing partner's wisdom.

We recommend that firms shift their focus from an instantaneous, current-year planning horizon to thinking in terms of the next decade. This requires a commitment to an ongoing strategic planning process. Adopting a fully vetted strategic planning framework, such as Blue Ocean Strategy,[*1] is a sound approach to navigate the intense changes ahead. This process is often exponentially more beneficial when guided by an experienced advisor who contributes strong technical resources and a deep understanding of law firm dynamics. This combination of a good process and the right expertise helps determine spending priorities based on their short- and long-term impacts, fostering a proactive approach to building a sustainable advantage rather than making reflexive investments in technology because everyone else is.

Conclusion: Your Mandate as a Leader

AI disruption is real, but it is manageable. Your job is not merely to manage a technology rollout; it is to lead your people through a period of profound change. The most important action you can take is to provide a stable, transparent vision for the future, grounded in a disciplined strategic process.

Start by breaking down your data silos because clean, consolidated data is the price of admission to the future of law. But more importantly, commit to building a culture that balances structure with creativity. The firms that thrive in this new era won't see AI as a replacement for their lawyers, but as a tool that transforms them into what clients value most: sharper strategists, trusted advisors, and true business partners.

[*1]: The concepts of Blue Ocean Strategy and Blue Ocean Shift were developed by W. Chan Kim and Renée Mauborgne in their books of the same names[

