

Insurance Allocation System

Technology Tools for Claims Allocation

Allocating liability claim costs to insurance policies is a critical step in understanding the potential value of insurance coverage and an important element of the settlement negotiation process. Benefits of performing cost allocations include:

- » Developing an understanding of insurers' financial exposure under differing allocation scenarios;
- » Conducting sensitivity studies to evaluate the effect of legal and factual uncertainties on potential insurance recoveries;
- » Supporting probabilistic studies of "risk weighted" claim value;
- » Analyzing alternative allocation positions taken by insurers during the settlement negotiation process; and
- » Demonstrating to insurers their potential exposure to claimed losses considering a range of possible litigated outcomes.

Claim Types

- » Environmental contamination
- » First/third party BI and PD
- » Asbestos
- » Hearing loss
- » Repetitive stress injury
- » Building products/defects
- » Catastrophic losses
- » Medical devices
- » Construction defect
- » Silicosis bodily injury
- » Solvent bodily injury
- » Various product liabilities

Our Approach

Cost allocation models represent the nexus of liability claims, insurance policies and case law. Navigant Consulting has a state-of-the-art software application designed to allocate costs to insurance coverage under many different assumptions. The system considers the following major variables:

- » Choice of law
- » Scope of coverage theories (e.g., all-sums, pro-rata)
- » Trigger theories
- » Occurrence theories
- » Stacking of limits/retentions
- » Allocation methods
- » Exhaustion methods
- » Applicability of aggregate limits
- » "Drop down" of excess coverage
- » Relevant exclusions
- » Relevant definitions
- » Insolvencies
- » Settled policies
- » Defense obligations
- » Shared coverage
- » Other issues

Based on our significant experience working with policy and claims data, we are able to adjust our allocation system to meet our clients' needs with the appropriate level of detail and sophistication. Our systems are capable of handling claim populations ranging from hundreds of claims to hundreds of thousands.

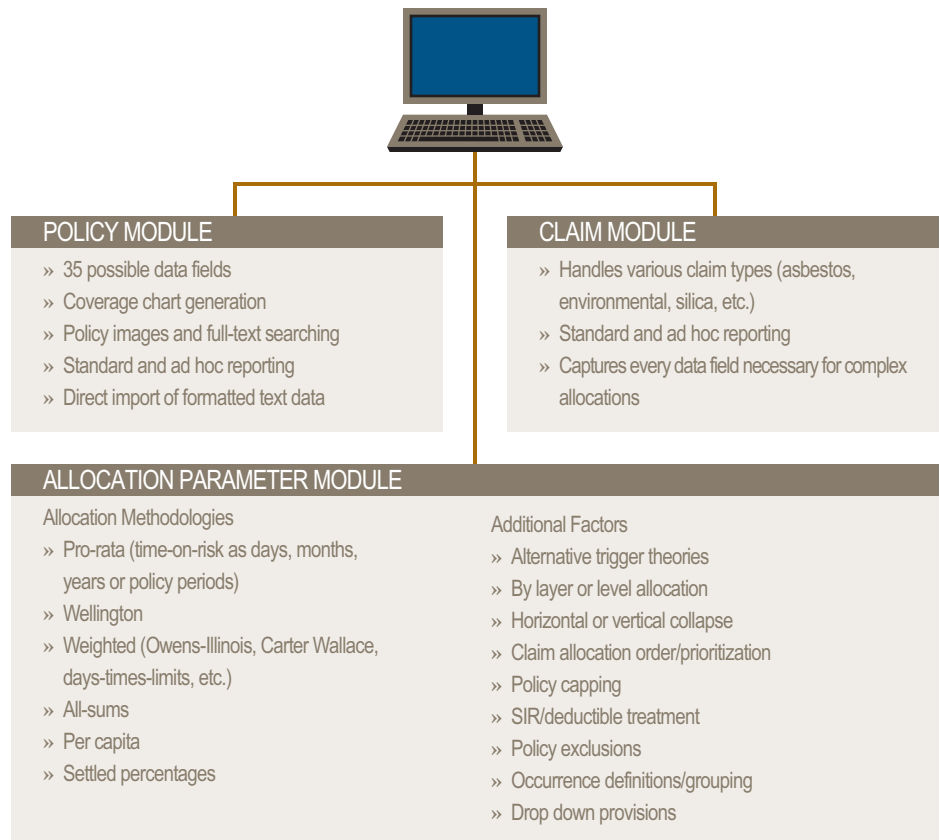
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Uses for Allocation Model Results:

- » Determine settlement strategy by evaluating results of alternative allocation theories
- » Support settlement negotiations with insurers
- » Track exhaustion of underlying limits
- » Analyze cash-flow requirements
- » Prepare bills submitted to insurers



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