Predictive Analytics, Negotiation, Tech Tools, Aggregation of Claims and Legislative Solutions

Wednesday, October 16

Virginia Museum of Fine Arts

200 N. Boulevard

Richmond, VA 23220

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Negotiation: Tips, Tools and Techniques

Presented By:

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Not Bank Robbery Settlements

- Defense Unaware of Applicable Subro Waiver
- Defense Paid RCV on Contents

When the Price is *Right…*

Settlement Value Equation

(Recoverable Damages) x (% Chance of Winning) - (Costs Avoided) = Present Settlement Value

$200K x (50%) - $20K Costs = $80K

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Limited Budget – Non Litigated Formula: Economic Challenges

- Paid claim

- Recovery potential/Range

  - Less minimum litigation costs

  - Less minimum expert expenses

- Maximum net recovery

Investigation for Minimal Cost

- Evidence - make sure it is saved – shipping
- Photographs and videos – courtesy of the insured's cell phone
- Internet – searches: recalls – social media – location of witnesses and responsible parties
- Contractors
- Reports – police, fire, code
- ISO Reports
- Small claims court
- Repetitive claims

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Execution

- Preparation
- Identification of key issues
- Supporting documentation
- Intercompany arb
- Aggregating claims

Rules

Three Rules to Remember Before Determining Settlement Value……
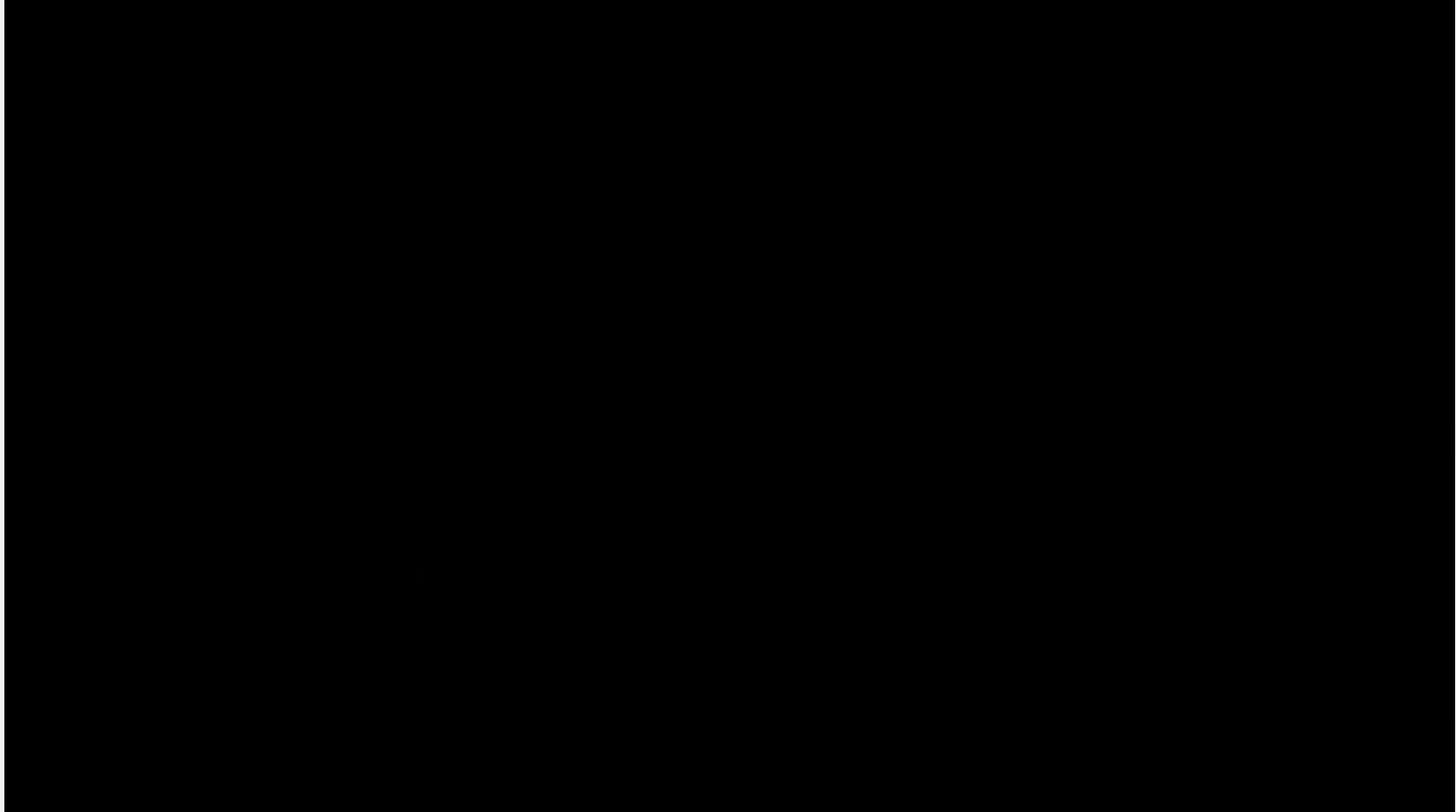
Rule #1
Be Sure Your Math Is Right

Rule #2
Do Your Homework

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Do Your Homework

Rule #2
Do Your Homework

- Subro is Repetitive Loss Business
  - Broan Exhaust Fans
  - Electrolux Dryers
  - Fluidmaster connectors
  - Water Supply Lines
  - Viking VK-457 Sprinkler Heads
  - CSST
  - Gree Dehumidifiers

- Ranges Where These Cases Settle

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Rule #3
Don't Overbid/Consult Others

Rule #3
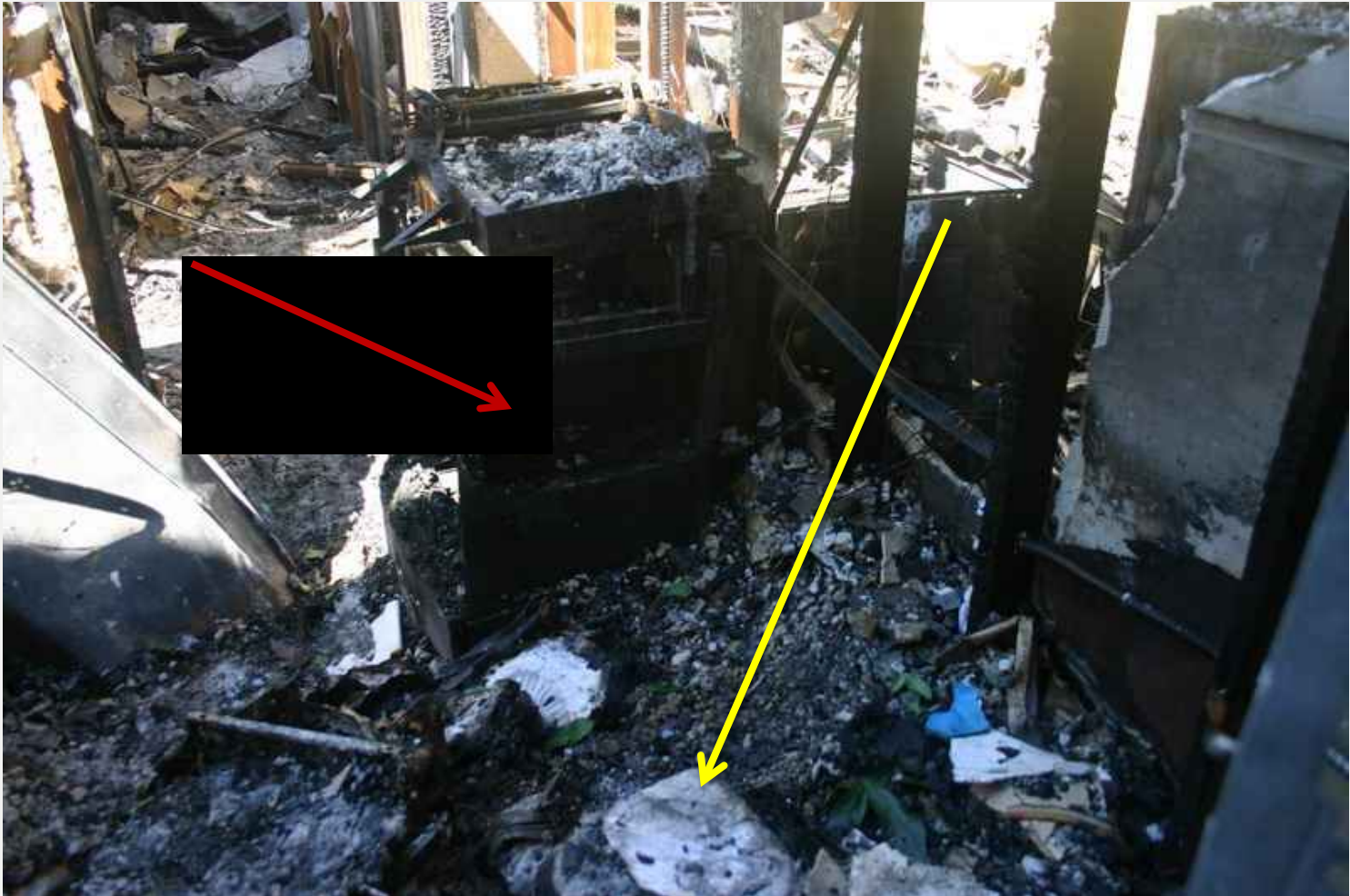## Don't Overbid/Consult Others

Pigs Get Fed,

Hogs Get Slaughtered

Call Up Contestants/Start Game

Showcase #1

Camera 1 (10/11/2008 04:56:58:502)

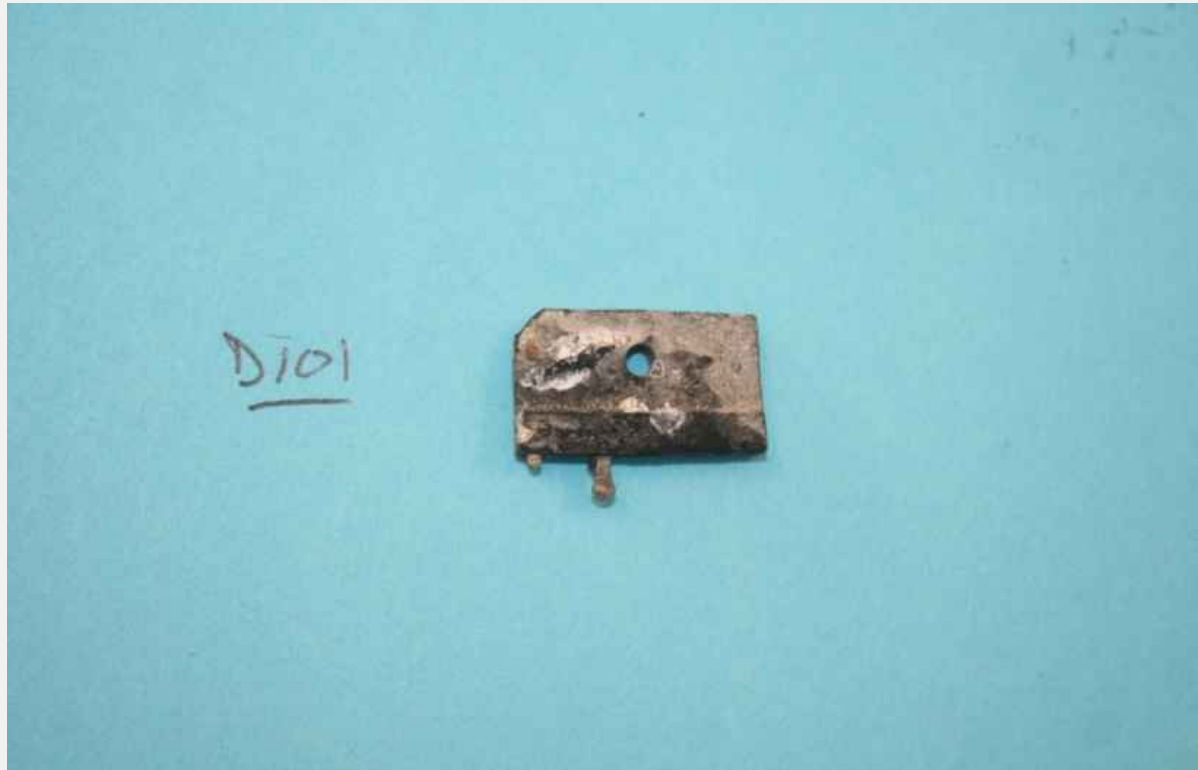# Electrical Items Inside Copy Room – Eliminated By Engineer:

- Canon Fax

- Hewlett Packard Printer

- Hewlett Packard Router

- Power Strip with Attached Cords

- Wall Outlets

- Scanner

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Copy Machine Power Source Board Compartment
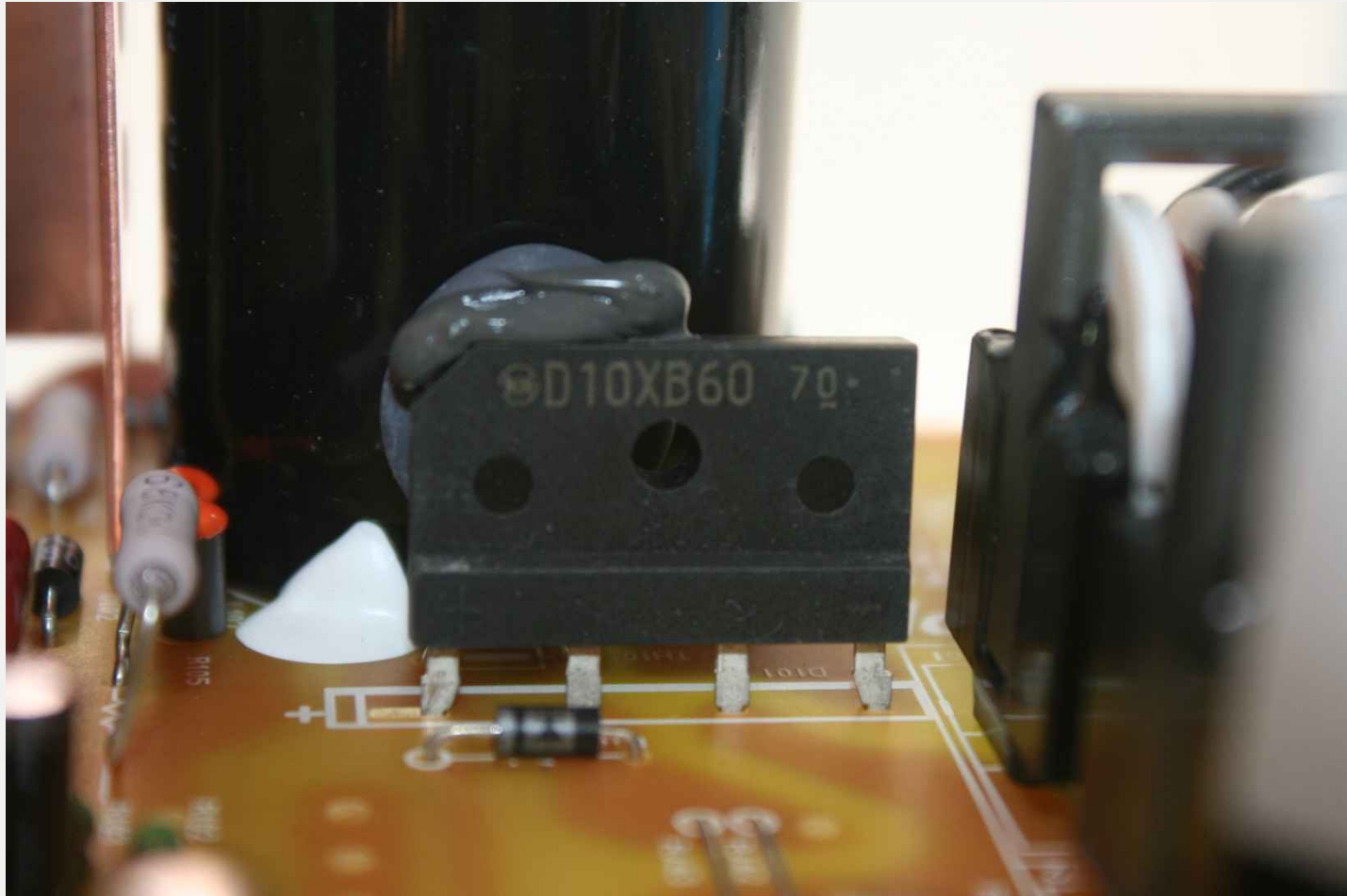
Subject Diode 101

- <u>Noteworthy</u> - Visible Evidence of Melted Diode Leads and Potential Internal Heating

Exemplar Power Source Board
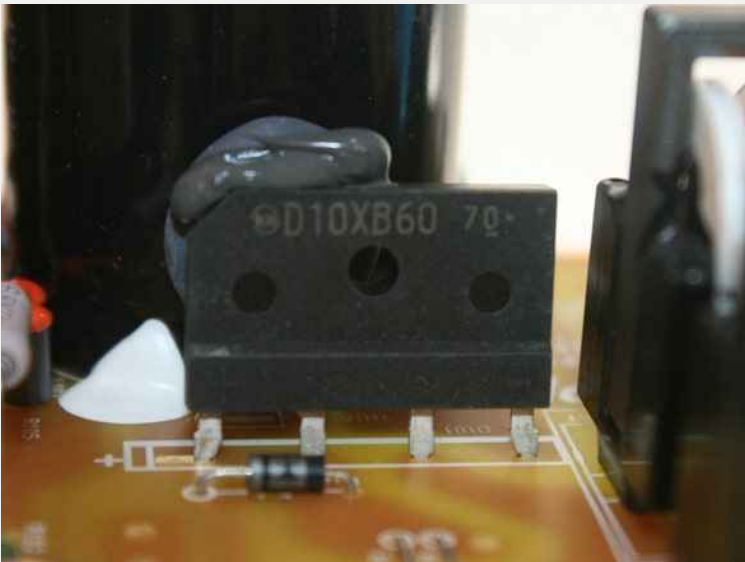
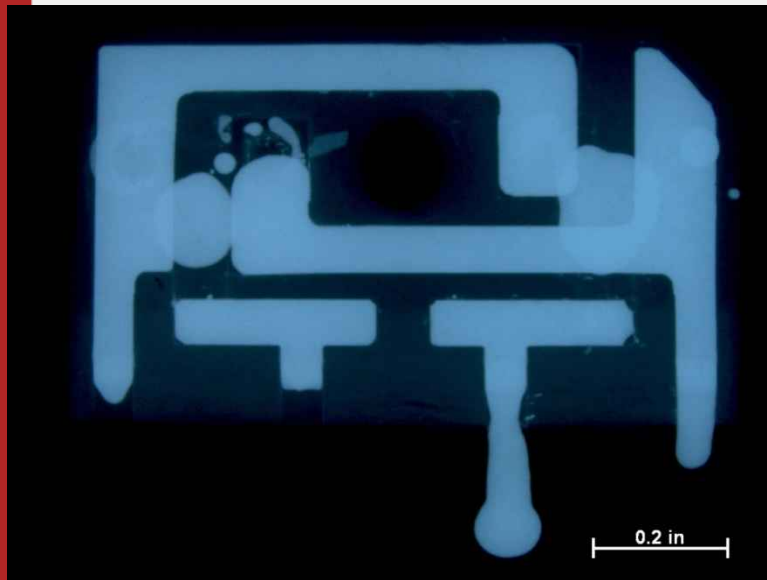# Exemplar Diode '101'

Diode

- 2 of the 4 diode <u>copper</u> leads had been completely <u>melted</u> and evaporated.
- The <u>plastic</u> encapsulation of the diode <u>did not melt</u> and was not completely destroyed by heat of the fire.
- A fire attacking this diode could not melt the copper leads but not melt the plastic.

Comparison of X-ray Radiographs

Subject Diode

Exemplar Diode
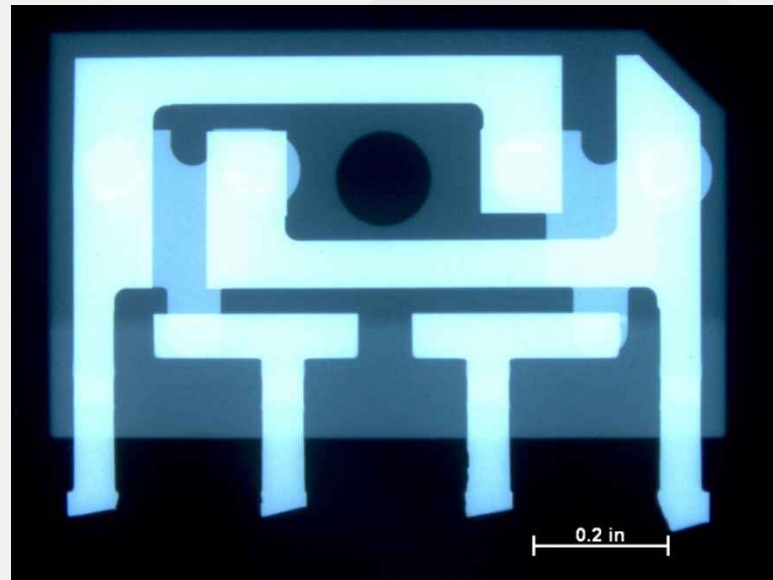
Showcase #1 Recap

- Jurisdiction: California

- Recoverable Damages: $3.75M

- Pros:

  – Video Surveillance – Fire in Copy Room;

  – EE Eliminated Other Ignition Sources

  – Metallurgical Testing of Diode – Specific Failure Point

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How Much Did It Settle For?
$3.75M Damages

How Much Did It Settle For?

$2.7 Million

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Settlement Value Analysis

- Recoverable Damages: $3.75M

- % Chance of Winning at Trial: 70%

- Avoidable Costs: $100,000

- Calculation: $3.75M x 70% - $100K = $2.525M

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Case study 1

- Fire in neighboring property
- Insured sustained exposure damages of $99,000
- Cause and origin expert could not determine cause
- Photos showed that the California palm trees between properties were overgrown
- Theory– Neighbor's failure to maintain trees allowed for the spread of fire
- Result?

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Case Study 1 Outcome

- Adverse carrier paid 100%
- Palm trees that have died/fried out growth possess a combustible element

Case Study 2

- Commercial tenant sustained water damage
- Source: unit above coffee maker line failed
- Viable subro waiver in lease
- No expert
- Result?

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Case Study 2 Outcome

- 50% recovery

- Identified carrier for landlord and learned that the tenant's carrier were paid for damages to their common area

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Case Study 3

- Scaffolding truck backed into the insured's building and left the scene
- Damages: $13,400 (replacement cost)
- Result?


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Case Study 3 Outcome

- 100% Recovery ACV $11,900
- Insured found a neighboring building that had security footage
- Through the footage the vehicle was identified
- Ran a plate check
- Identified the owner
- Contact the owner who provided his insurance information

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Get Creative

Recognize When You Have to Settle
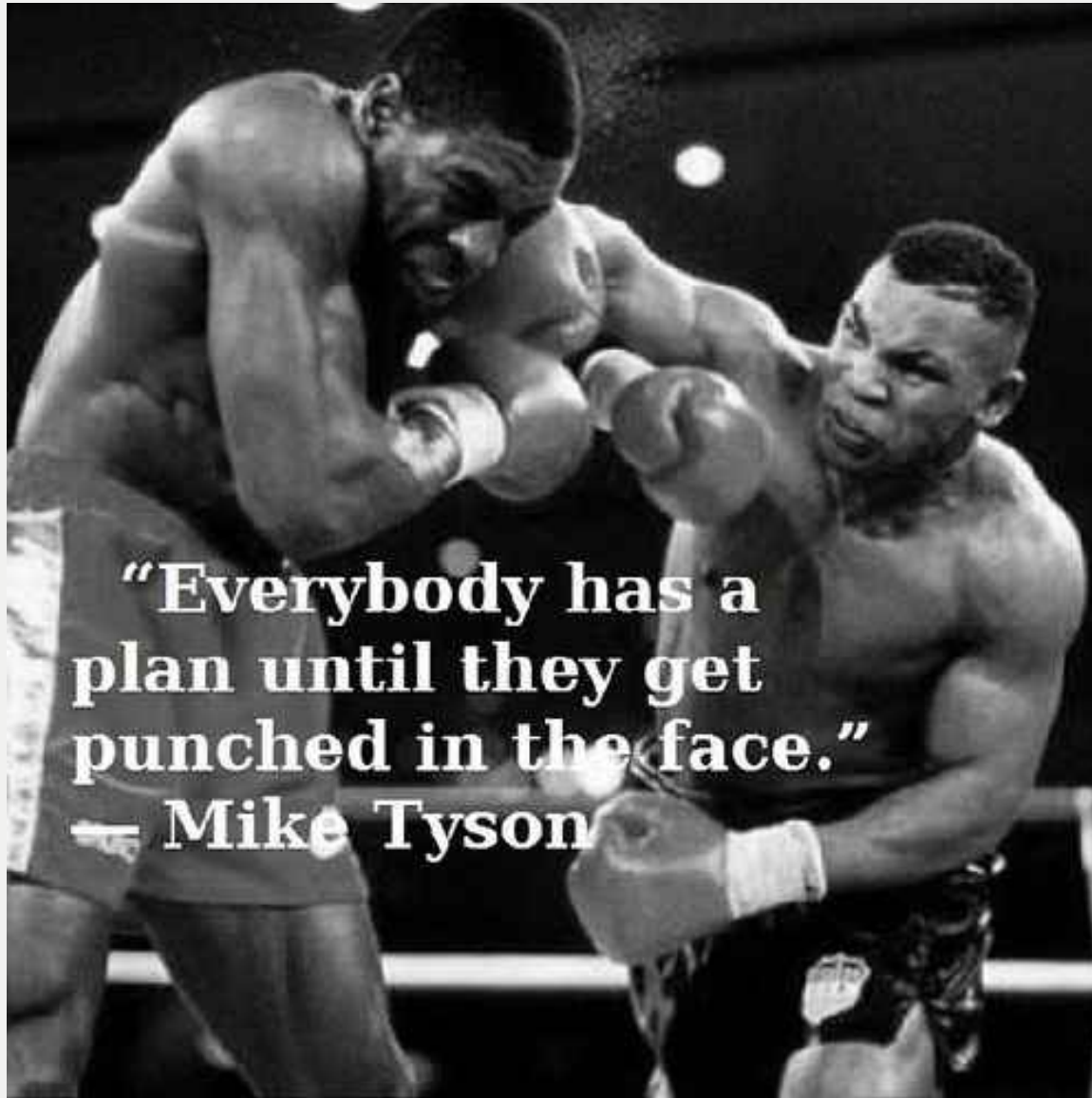
"Everybody has a plan until they get punched in the face."
— Mike Tyson

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Sometimes You've Got to Act Tough

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FEDERAL & STATE RULES

- Multi District Litigation (Federal)
- Jurisdictional Threshold (Federal - $75K)
- State Court Approaches

ALTERNATIVE VENUES

- Inter-Company Arbitration

- American Arbitration Association

- Private Arbitration

NEGOTIATION STRATEGIES

- CSST
- Fluidmaster
- Rheem

NEW OPPORTUNITIES

- Gree Dehumidifiers

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Use of Predictive Analytics and Machine Learning Tools In Subro Recognition

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SUBRO METRICS

- Subro Recognition vs. Subro Success
- Yield Ratio:
  - Property: 15% - 20%
  - Auto: 30% - 35%

SUBRO RECOGNITION

- How to Avoid Spending 90% of Your Time Identifying the 15% - 35% of Claims with Money in them?

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WORKFLOW PROCESS

DATA MINING

- Apply Machine Learning to Historical Data to Predict Future Outcomes
- Vocabulary
- Syntax
- Logic

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INFO TO BE DATA MINED

- Peril Codes/Sub-Peril Codes
- Loss Description
- Claim Notes
- I/A Reports
- Police Report

SUBRO SCORING

- Greatest value may be in Filtering Out vs. Filtering In

- 60% and over to be reviewed

- 30% and under to be archived

- Refined data analytics and/or manual triage for in between claims

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EXAMPLE OF AUTO PREDICTIVE ANALYTICS

- Intersectional Accident
  - Claim Notes scrubbed
    - Historical claim records established for machine learning
    - IV & its various name derivations identified
    - Points of Impact
      - IV front – favorable score
      - IV side – less favorable – lower probability score
    - Search terms such as "speeding", "yield", "careless" "ticketed", etc. are highlighted
    - Police report reviewed – narrative & coding evaluated and scored
    - Comp Negligence laws impact score (Pure vs. Contrib)
    - 3rd party identified (hit and run?)
    - Updated notes (every new note) triggers re-scoring of recoverability

PREDICTIVE ANALYTICS IN PROPERTY CLAIMS

- Key Terms: Peril Codes and Loss Descriptions

- How to Turn Interesting into Favorable

- Which Claims to Exclude
  - Do not over-exclude based upon affirmative defenses

KEYWORD SEARCH CRITERIA

Property Subrogation Predictive Analytics Keyword Search Criteria			
Collapse	Lightning	Roof_Uplift	Roof_Shingle
Fire	Smoke	Appliance	Equipment
Boiler	Fireplace	Chimney	Dryer
Fixture	Heater	Sprinkler	Valve
Washing_Machine	Refrigerator	Dehumidifier	Automobile_and_Building
Halogen	Fluorescent	Air_Conditioner	Battery
Electronic	Dishwasher	Water	Pipe
Connection	Toilet		

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PROBABILITY EXAMPLES

Note Output	# times Subrogated	# times found via mining	Probability
tenant	3,000	10,000	30%
utility pole	200	800	25%
sprinkler	1,500	7,500	20%
fire	5,000	15,000	33%
dead/rotten	200	2,000	10%
frozen/no heat	7,500	100,000	7.50%
wind	1,200	12,000	10%
hit by vehicle	700	1,400	50%
hail	50	5,000	1%
falling tree	300	3,200	9.40%
weight ice/snow	250	7,600	3.30%

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EXAMPLE OF PROPERTY PREDICTIVE ANALYTICS

- Tree/Branch Falls on Insured Home
  - Claim Notes scrubbed for true cause of loss
    - Historical claim records established for machine learning
    - Search terms such as "storm", "wind" "worker" "neighbor" "dead" "cutting" are highlighted and score is developed
    - 3rd party identified?
    - Updated notes (every new note) triggers re-scoring of recoverability

- Water Damage to Insured Roof
  - Terms such as "condo" "upstairs" "tenant" in addition to "older pipes", "recent repairs" "appliance failure" are scored
  - Inspection or I/A reports are evaluated
  - Clear No Subro files scored accordingly

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Tech Tools for Establishing Liability in Property and Auto Claims

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Tech Tools for Establishing Liability in Auto Claims

- BLACK BOX TECHNOLOGY
  - **EDR: EVENT DATA RECORDER**
    - Records Data in Continuous loop
    - Data has been in vehicles for many years
    - Approx. 98% vehicles
    - Part of the Airbag Module

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Tech Tools (continued)

- BLACK BOX: EDR
  - TRACKS:
    - SPEED
    - STEERING
    - BRAKING
    - ACCELERATION
    - SEAT BELT USE
    - CRASH- FORCE OF IMPACT 5 SECONDS BEFORE & AFTER INCIDENT

Tech Tools for Establishing Liability in Auto Claims

MOST IMPORTANT:

SECURE EVIDENCE!!!

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BLACK BOX INSURANCE

- TELEMATICS
  - VEHICLES ARE FITTED WITH A SMALL "BLACK BOX"
  - SIZE OF A SMARTPHONE
    - RECORDS: SPEED, DISTANCE TRAVEL TIME OF DAY
    - MONITORS DRIVING
      - ACCESS TO A WEBSITE MEASURE PERFORMANCE
      - REWARDS SAFE DRIVING: CHEAPER PREMIUMS

Tech Tools for Establishing Liability in Auto Claims

- EVERYDAY TOOLS:
  - QUALITY STATEMENTS
    - INSURED/THIRD PARTY/WITNESS
    - POLICE REPORTS
    - QUALITY DAMAGE PHOTOS
      - POI (POINTS OF IMPACT)
      - SCENE PHOTOS/DIAGRAM
        - » GOOGLE MAPS
        - » SOCIAL MEDIA

Tech Tools for Establishing Liability in Property Claims

Imaging Technology to Prove Causation

Ford Speed Control Deactivation Switch

- X-Rays
- SEM Scanning
- CT Imaging

Tech Tools for Establishing Liability in Property Claims
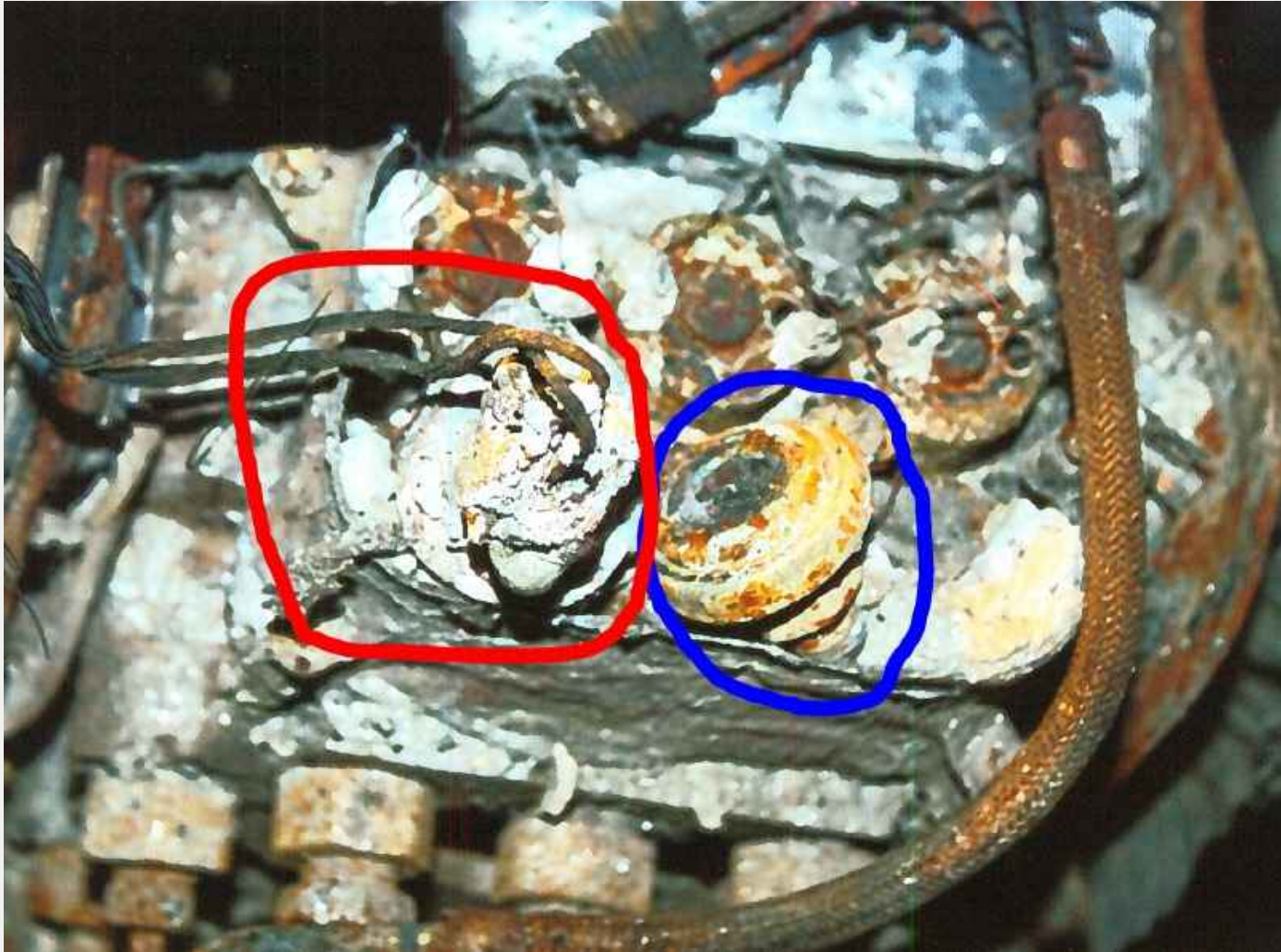
Tech Tools for Establishing Liability in Property Claims

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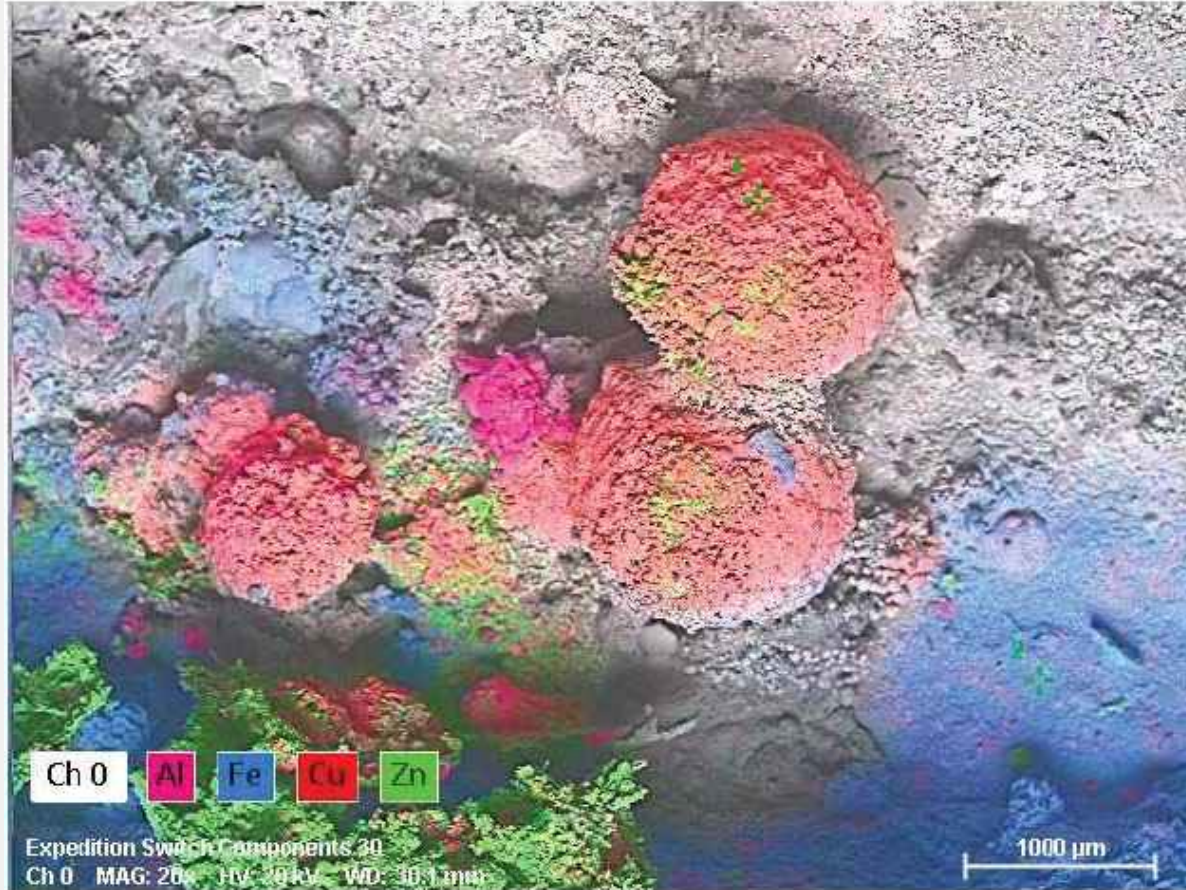O'CONNOR

Tech Tools for Establishing Liability in Property Claims

Tech Tools for Establishing Liability in Property Claims
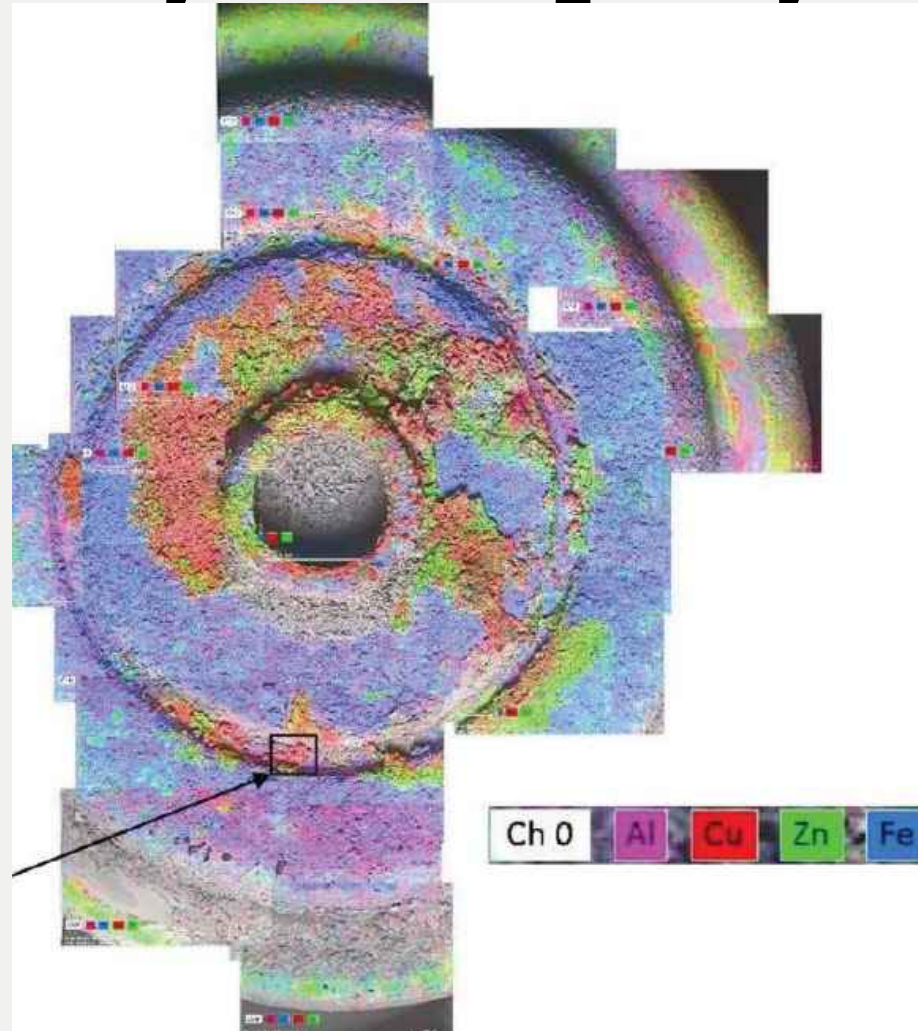
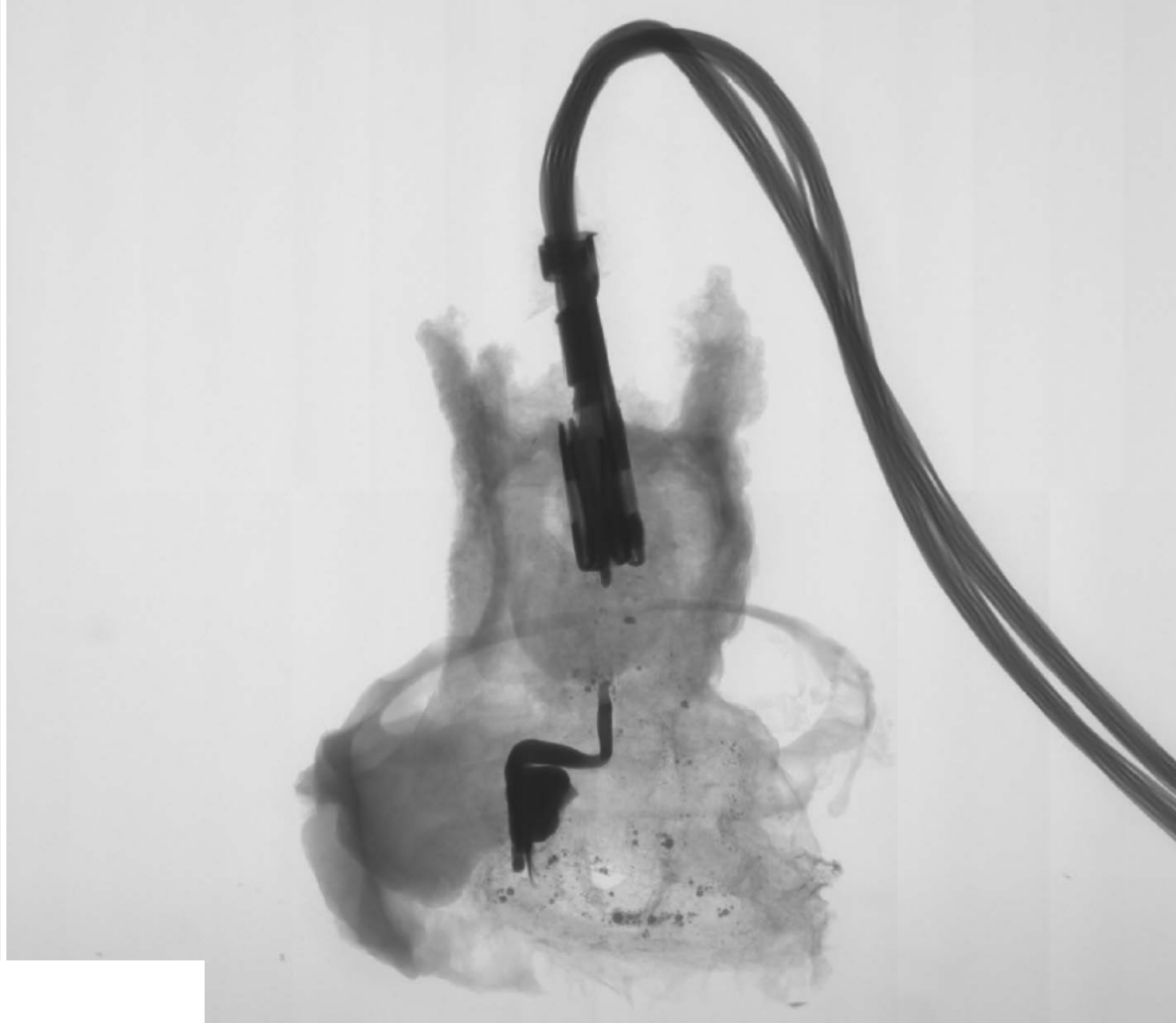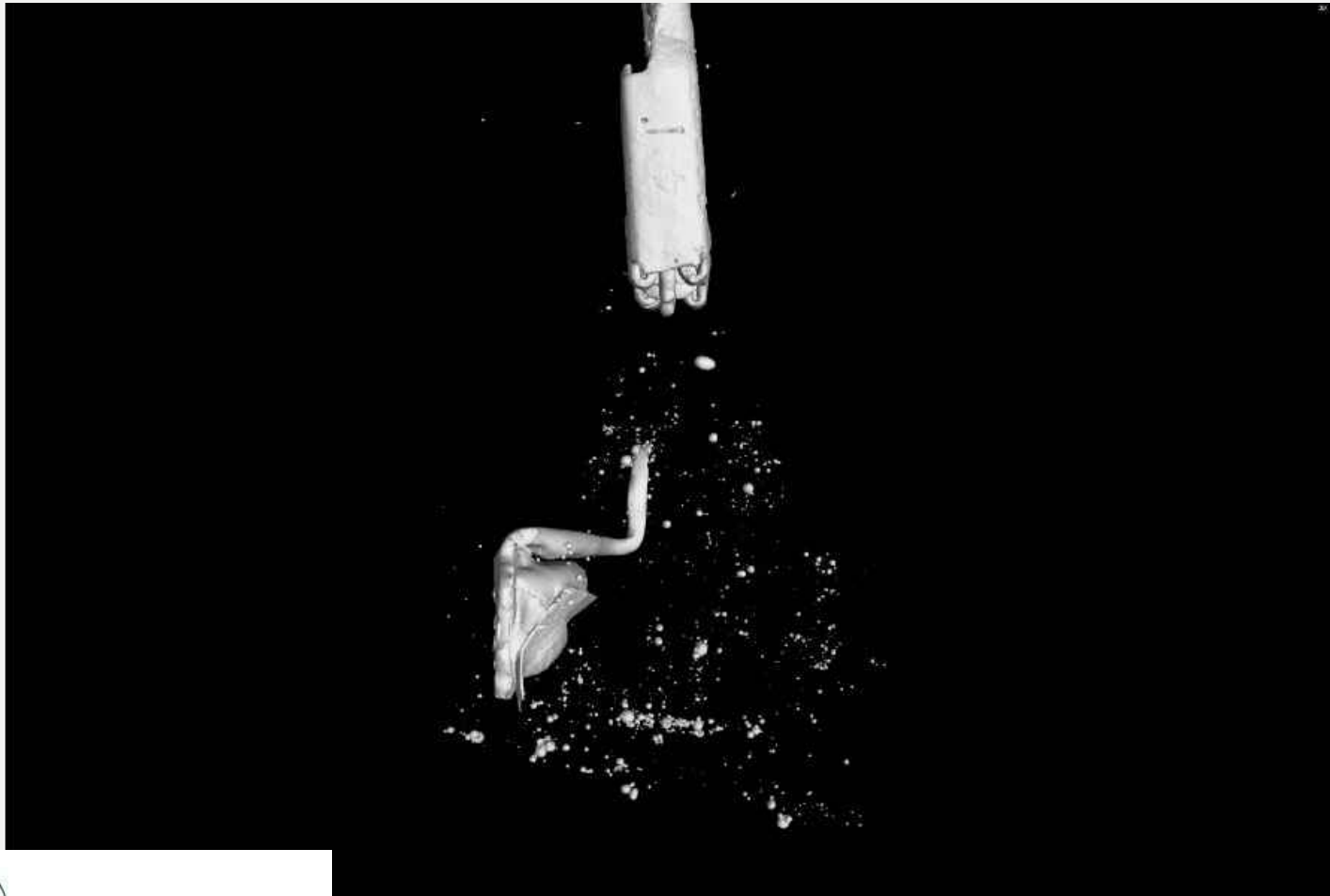# Tech Tools for Establishing Liability in Property Claims

Figure 3. Spherical balls of deposited copper

Tech Tools for Establishing Liability in Property Claims
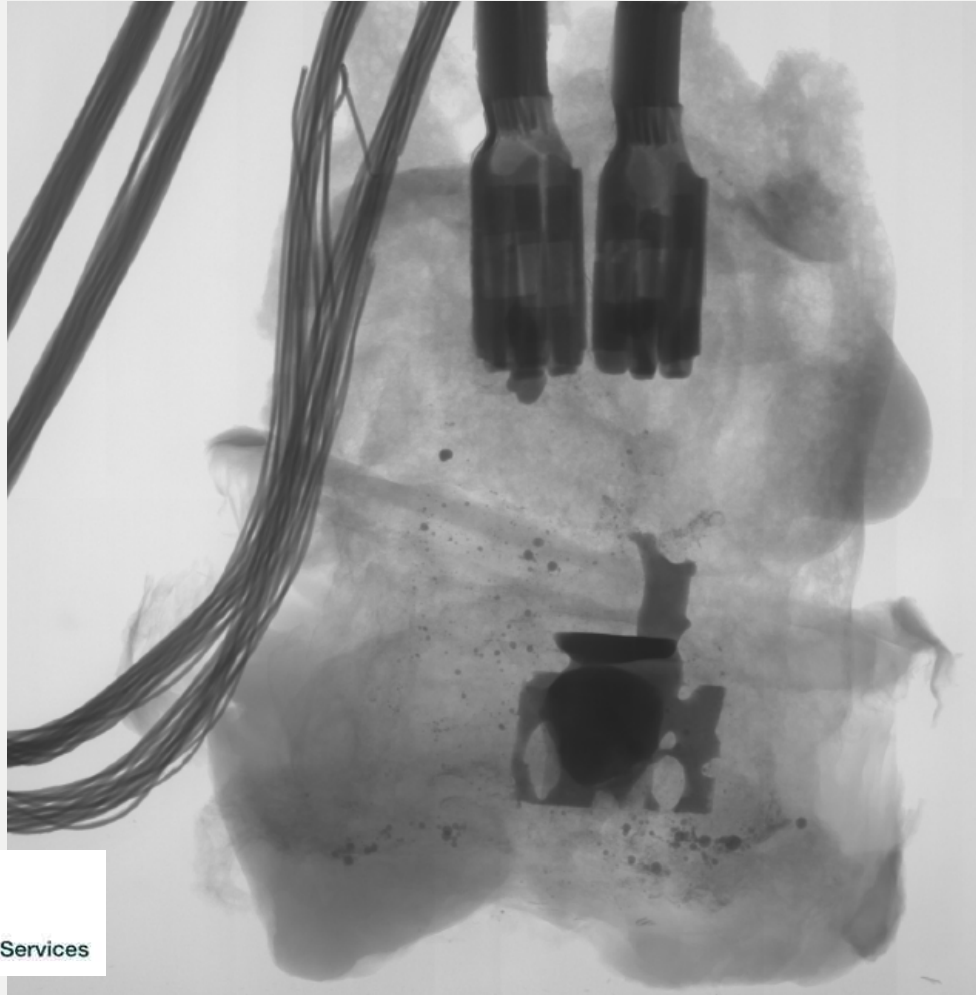

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Tech Tools for Establishing Liability in Property Claims
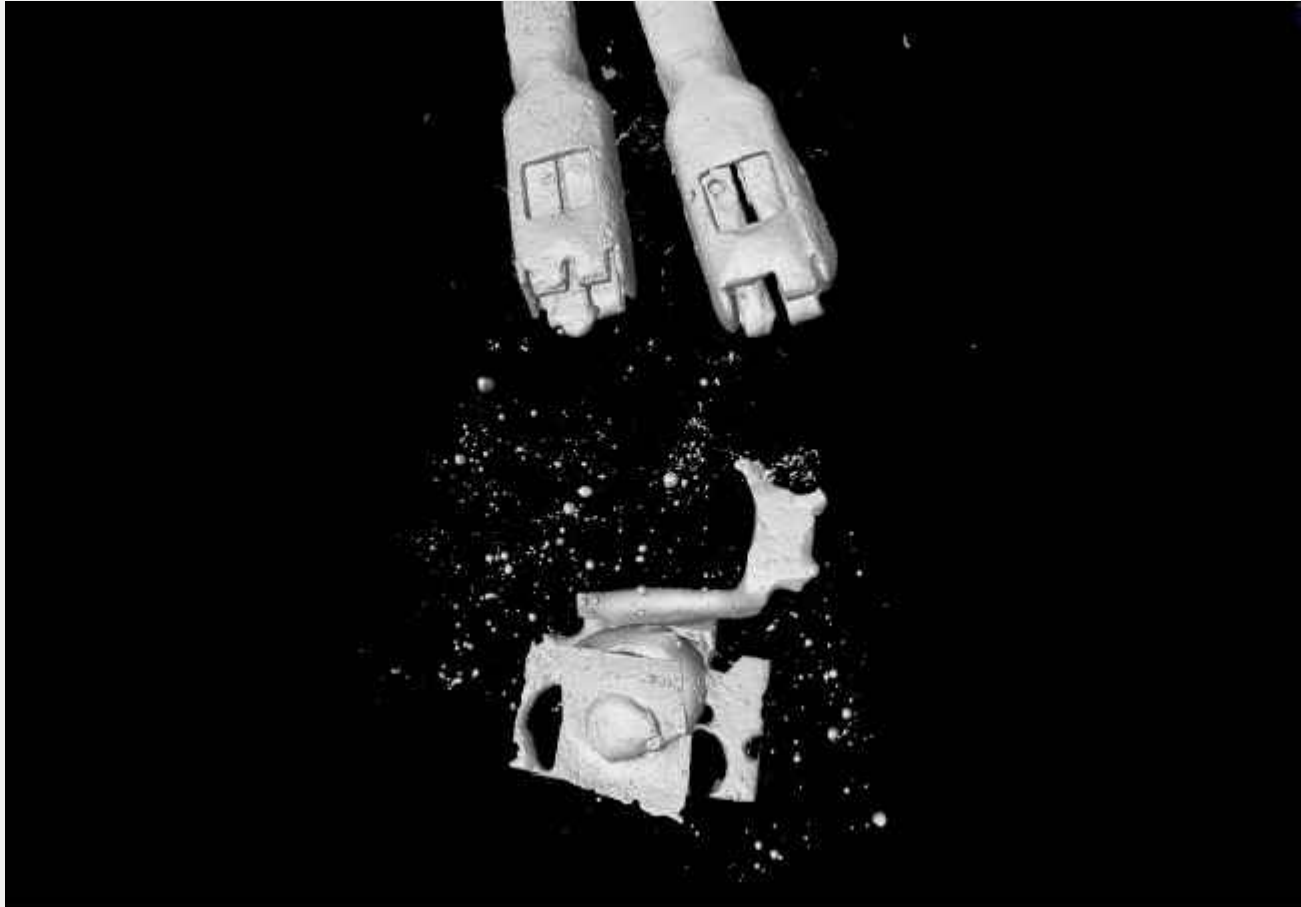

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Tech Tools for Establishing Liability in Property Claims

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Tech Tools (continued)

Tech Tools for Establishing Liability in Property Claims
Documenting Large Scenes

Matterport

- Proprietary Camera and Software
- Photogrammetry-Software stitches photos together to form 3D Model
- 3D Imaging
  - Dollhouse View
  - Floorplan View
  - Inside View

https://matterport.com/3d-space/fire-damaged-house/

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FARO Scanning
3D Laser Scanning

- Process of capturing millions of discrete points of a real-world object or environment

- Creates a "point cloud"

- Point cloud data allows investigators to obtain measurements from the 3D imaging

- 3D model accurate to millimeters

FARO Scanning

FARO Scanning

FARO Scanning

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