

A microscopic view of several COVID-19 virus particles, showing their characteristic spherical shape and spiky surface. The particles are rendered in shades of blue and green against a dark blue background.

## Praedicat's COVID-19 litigation scenarios help clients manage their exposures.

### Introduction

The COVID-19 global pandemic is a human tragedy affecting millions of people globally and its course remains uncertain. However, already in its human toll, and likely in its economic and social impact, it is comparable to or greater than 9/11 or the 2008 financial crisis. Like those recent events, there will be scope for arguing that individual or business losses were, at least in part, caused by the negligent actions of others, and there will be attempts to make these arguments in court. The resulting litigation will need to be managed by casualty insurers and anticipated in current reserving and underwriting. To assist our clients in managing their exposures, Praedicat has developed exposure models and scenarios, and launched an unprecedented US court liability tracking data tool, for evaluating the impact of COVID-19 on casualty lines of business.

### Praedicat's Scenarios

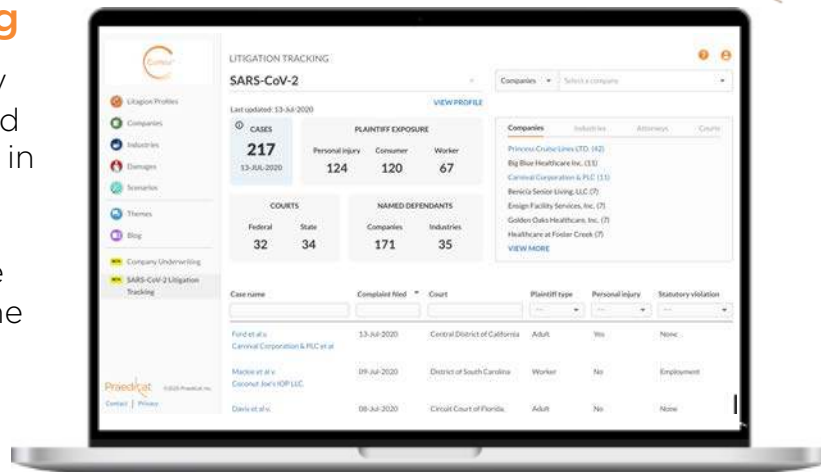
Over 2019, the opioids litigation unfolded and accelerated. Anticipating the legal innovations in 2018, Praedicat developed a set of 16 opioids scenarios that described different causes of action and different types of plaintiffs, and estimated losses in opioids litigation for over 100 potentially liable parties. The resulting scenarios were successfully used by casualty insurers for exposure assessment, the development of underwriting strategies, and for reserving.

For COVID-19, Praedicat has similarly developed a range of causes of action, from arguments that businesses negligently failed to prepare and exposed their workers, customers and their families to COVID-19, to products that were marketed to protect against the virus while harming their customers, to allegations that the negligent actions of companies are responsible for the virus-related public health expenditures of local and state governments.

The losses from these causes of action can be simulated under various estimates of the potential scale of the pandemic and assigned to potentially responsible companies. The estimates are updated regularly as new causes of action are identified and as the course of the pandemic becomes increasingly clear.

## US State Court Litigation Tracking

Anticipating that COVID-19 liability will largely emerge in state courts, Praedicat has launched an unprecedented data source on complaints in US state court liability filings. With this tool, clients have access to a COVID-19 litigation tracker which tracks data for all 50 states, the District of Columbia and US federal courts. The litigation tracking data will remain evergreen, with monthly updates including all cases, all defendants, in all jurisdictions in the United States, often prior to claims made to insurers.



New COVID-19 scenarios are being developed in response to new patterns found in the filings data, with both scenarios and complaints made available to our clients in our software.

## Our Deliverables

Our clients can now access:

- A series of litigation scenarios, representing a range of ultimate pandemic outcomes, and with fully-specified causes of action, numbers of plaintiffs, and defendant industries.
- Insurance portfolio modeling results, providing losses under the set of scenarios for a portfolio specified by company names or industries, and insurance terms.
- Company scenario loss estimates for 40,000 companies in Praedicat's company library, with the ability to estimate policy losses (defense cost and indemnity) under different insurance structures.
- COVID-19 litigation tracking for US liability filings in all 50 states, the District of Columbia and US federal courts, updated monthly.

Throughout 2020, additional scenarios will be added to more fully capture the emerging liability space, including newly specified causes of action and variations under different "social inflation" assumptions. Estimates will also be updated and the range of outcomes narrowed as the pandemic experience is increasingly revealed.

## How to Use the Scenarios

Praedicat clients can now use the projected industrial footprint of the scenarios to estimate limits exposed and to evaluate potential tail risk. The information can facilitate the development of underwriting strategies, and with the results available by company, the strategies can be implemented at the point of underwriting. In addition, the estimates can be used to evaluate the adequacy of reserves, and to respond to exposure inquiries by regulatory authorities and rating agencies.

## We Welcome Your Feedback

Praedicat continues to welcome the feedback and input of our clients on the ways our services can help you navigate the risks. We value our partnerships and are committed to helping you achieve your goals in this unprecedented environment.