Master Significant Cases & Actions database (MSCAd) Methodology

Global Headquarters
1430 Broadway, 8th Floor
New York, NY 10018
+1.212.897.4800
support@advisen.com

www.advisenltd.com

Table of Contents

Introduction

This document provides an explanation of the methodology used to develop and maintain Advisen's Master Significant Cases & Actions database (MSCAd). It describes the principles and methodology of MSCAd with clear explanations of how the data is collected, how it is implemented, and how the database is accessed.

Overview of MSCAd

MSCAd is a proprietary relational database of legal cases, actions, or events that have resulted in, or might result in, significant financial judgments or financial loss to corporate entities.

The definition of significant is somewhat subjective. Since a case, action, or event may or may not result in significant financial loss (it is often unknown early-on, and perhaps unknown upon disposition), we use our expert judgment to determine which cases, actions, and events are included. As of January, 2015, the database includes more than 250,000 records (published cases, actions, or events) with financial judgments or loss estimates in excess of $9 trillion. Established in 2003, the database grows by approximately 50,000 records per year.

The majority of the cases, actions and events in the database occurred or were filed in the United States. Other countries and regions around the world are included, such as: the United Kingdom, Canada, Australia / New Zealand, Continental Europe, Asia/Pacific, and others.

Within MSCAd, case data is linked to company information that is sourced from industry leading providers such as S&P/Capital IQ, D&B, and Thomson Reuters, supplemented by Advisen's proprietary research. Company information includes demographic information about the main organization linked to a case, such as revenue, type of company, market cap, number of employees, industry, geography, etc. This provides users with an additional dimension for analysis that is not available elsewhere.

What's in MSCAd

MSCAd consists of individual records, or cases, that are linked to a principal organization likely to be responsible for any costs involved. The following describe some of the information recorded in MSCAd:

- Event – a case without a known financial outcome, recorded to track the available details; events often develop into losses, and/or are included in related cases with the resulting losses
- Insured loss – the amount of a loss known to be paid for by insurance
- Lawsuit – an actual court filing, typically including a unique docket number for the court involved; a single lawsuit may result in multiple MSCAd cases, for each named defendant

Global Headquarters
1430 Broadway, 8th Floor
New York, NY 10018
+1.212.897.4800
support@advisen.com

www.advisenltd.com

Page 3 of 8

company and corporate director named in official complaints (where applicable)

- Loss – a case with a known or estimated financial consequence to the company involved, including dismissed ($0) cases
- Regulatory Action – an investigation or legal action involving a regulatory body. This can include a negotiated settlement, fine, or penalty administered by that regulator, even though some such settlements must be filed with and approved by the judicial system
- Related Case – a grouping of cases based on clash potentials involving common causality, single occurrences resulting in multiple losses, multiple defendants on individual lawsuits, and potentially multiple insurance policies and coverage parts responding
- Economic loss – natural or man-made catastrophe events that may be related to significant cases and actions, for which we estimate the total economic damage

Data Sources

Our team of dedicated researchers and subject matter experts actively monitor all major legal & regulatory jurisdictions in the United States and in the rest of the world. We also monitor hundreds of publications and other sources to spot emerging issues or trends. This ensures that we capture legal cases, actions, or events early for inclusion in the database.

Our MSCAd research team relies on hundreds of sources that can be generalized into three primary categories of source data:

- information on individual cases, actions, or events from a variety of public and subscription sources
- "bulk" information on similar kinds of events (for example, products recalls or fines and penalties) from governmental and regulatory sources
- licensed case information sourced from other reputable parties

While each of the hundreds of sources of information we use has its own data structure, we translate each record into a common database structure and taxonomy. MSCAd is principally organized by category of risk and most likely insurance coverage, using our expert judgment and based on generic coverage definitions as applied to each case. Advisen's research team collects key attributes such as:

- identification of the corporate entity/entities (which enables powerful analysis using their demographic and exposure characteristics)
- tagging of multiple case, action, or event characteristics
- jurisdiction (if applicable)
- class action identification (if applicable)
- date(s) of case, such as accident, class period, filing, and disposition
- action or event case status
- outcome amount, defendant, and law firm participants

Global Headquarters
1430 Broadway, 8th Floor
New York, NY 10018
+1.212.897.4800
support@advisen.com

www.advisenltd.com

Page 4 of 8

- a detailed and keyword-searchable description
- and over 150 other available data elements

The resulting database is available through Advisen.com subscriptions, in periodic data feeds, and through reports and analytic models.

An Overview of MSCAd Development and Output
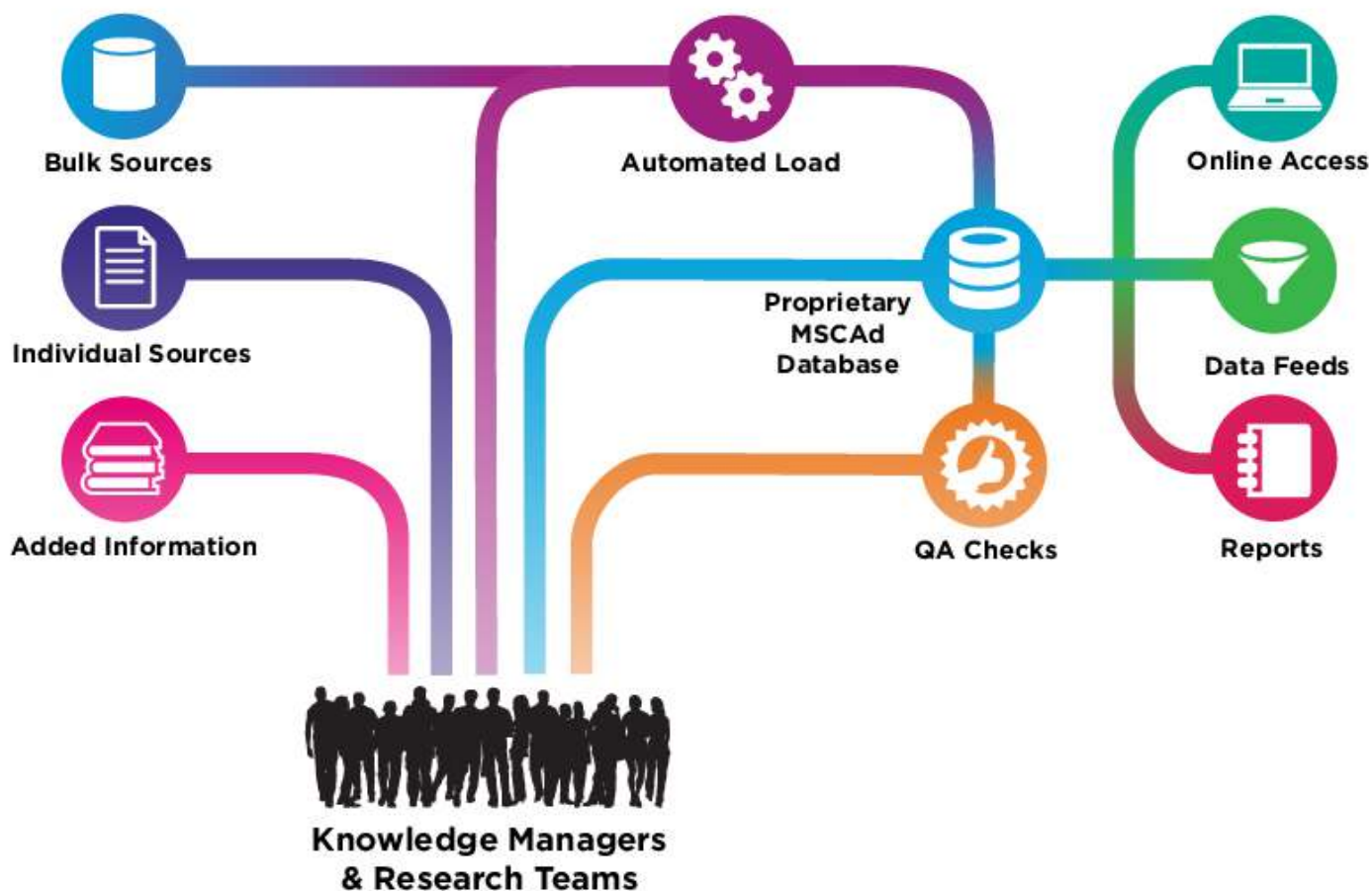
The MSCAd proprietary database is a key strategic asset of Advisen. It is the foundation of many Advisen data and analytical product solutions that inform clients' decisions around limits, coverage, risk selection and pricing.

MSCAd Growth and Execution Strategy

The research we conduct is centrally coordinated and aligned with our clients' continuously evolving needs. Any significant changes or expansions may involve input from our analytic, data, account management, research and editorial, product, and sales experts. A dedicated MSCAd team is responsible for curating and growing the MSCAd database, using overall structures and

Global Headquarters
1430 Broadway, 8th Floor
New York, NY 10018
+1.212.897.4800
support@advisen.com

www.advisenltd.com

Page 5 of 8

procedures, as well as processes and sources specific to different research projects.

Knowledge Managers

Our MSCAd Knowledge Managers include experienced insurance and legal professionals. They are responsible for the overall quality and quantity of cases in their areas of subject matter expertise, as well as how that content is used throughout Advisen. They also work with our clients, prospects, and other professionals, to identify the need for new research projects and data sources, and ideas for new and expanded MSCAd applications. They initiate and maintain the detailed research criteria used by our Research Teams.

Research Teams

The Research Teams create and update the vast majority of MSCAd cases, under the direction and guidance of the MSCAd Operations Manager. These teams are organized by subject area (for example, Management Liability, Employment, etc.) and are managed for effectiveness in both productivity and qualitative results. Since they are organized by subject (aligned with the Knowledge Managers' responsibilities), they develop valuable experience, efficiency, and skill in understanding and researching cases in their areas. This subject matter experience and consistency of processes has enabled us to break out dedicated MSCAd research teams when needed, for either topical focus or client-specific initiatives.

Research Process

Every Research Team follows a set of overall MSCAd Research Instructions, which cover all efforts, as well as instructions prepared for specific teams and projects by our Knowledge Managers. There are at least 100 active research projects at any given time, including both ongoing and one-time efforts.

Whenever a new research project is launched (or significantly modified), the indicated instructions and sources are prepared into a standard format and structure by the appropriate Research Team. These are reviewed and refined with the Knowledge Manager. Then, a set of "test cases" are researched and added to MSCAd for detailed review and guidance from the Knowledge Manager. Finally, the instructions are further refined as necessary and the polished project then moves into production for the research team.

Intake Activities

Each research team also gets a steady stream of new cases in their areas of expertise to research or update from our cross-disciplinary Intake team; this team reviews numerous news sites, court documents, and other sources, then channels cases to the appropriate research teams. Others are forwarded by our Knowledge Managers, other Advisen colleagues, our clients, and through bulk

Global Headquarters
1430 Broadway, 8th Floor
New York, NY 10018
+1.212.897.4800
support@advisen.com

www.advisenltd.com

Page 6 of 8

loads and scheduled web searches.

Quality Assurance Activities

Advisen maintains a robust quality assurance (QA) program for the MSCAd database. Each Knowledge Manager spot-checks case additions and updates on an ongoing basis in their areas, and provides feedback as needed to the research teams. All production research instructions and sources are reviewed frequently and updated as needed.

For all cases, a rule-based "duplicate checking" process is run on a weekly basis. The cases most likely to be duplicates are reviewed and either corrected or noted for the future as cleared exceptions. Similarly, on a monthly basis we compare existing cases to more than 60 data consistency and completion checks. Flagged cases are either modified or cleared as exceptions.

Finally, any "pending" cases are reviewed at least once per year, though most are reviewed more frequently.

MSCAd Frequently Asked Questions (FAQ)

How frequently do we update the database?
The "production" database available to our clients is updated once a day.

How many people maintain and curate the database?
As of January 2015, more than 60 full-time professionals.

How much time went into creating and maintaining this to date?
More than 250 person-years through 2014.

Is MSCAd a claims database?
While MSCAd includes some claims data, cases are structured to retain all the available details of a loss, regardless of insurance treatment to enable maximum flexibility for analysis.

Insurance claims are losses recorded by an insurance carrier, which include only information that was relevant to insurance that was in effect for a particular risk at the time of a loss. MSCAd cases reflect the total known loss amounts and do not include alterations for deductibles, retentions, limits, and/or co-insurance provisions, or the treatment of expenses within or outside policy limits.

What does it include?
MSCAd cases are based on publicly available information on the various "bad things" that happen to organizations around the world. Generally speaking, the larger and most costly "severity" cases are most thoroughly represented. For risks with high-frequency but lower-severity characteristics

Global Headquarters
1430 Broadway, 8th Floor
New York, NY 10018
+1.212.897.4800
support@advisen.com

www.advisenltd.com

Page 7 of 8

(such as workers' compensation, auto liability, general liability, small property, etc.), where tens of millions of such claims occur each year – we include some such cases as representative examples.

What is not included?

Many actions and events which do not reach the courts or the press are not included in the database. In addition, confidential details of many cases, actions and events (such as some professional liability settlement amounts) are not included in the cases, but are so indicated. Cases against individuals, other than those named in D&O situations, are not tracked in MSCAd.

What is MSCAd data used for?

Underwriters use our data for evaluating individual risks, actuaries use it for modeling loss experience and developing rating information, brokers use it to help evaluate limit adequacy and coverage needs, risk managers use it to evaluate their own insurance programs, and market development professionals use it to help quantify opportunities for offering new or expanded insurance products and services. Some examples of success using MSCAd data include:

Increased Underwriting Efficiency, using MSCAd data in the loss history review & confirmation process.

Improved Risk Selection & Pricing, comparing/benchmarking individual submissions to the overall MSCAd data.

Individual Case Review, obtaining more details and specific court documents for actual or potential losses being evaluated.

Identification of New Business Opportunities, comparing the MSCAd losses by industry, company type, geography, jurisdiction, category, likely coverage, etc.

New and Enhanced Rating/Pricing Models, including the appropriate structure data points from MSCAd (settlement amount, filing date, disposition date, etc.).

Limits Adequacy Analysis, contrasting purchased or proposed limits to actual MSCAd loss experience for similar organizations.

Clash Event Modeling, using MSCAd's different kinds of related cases to model potential multi-coverage, multi-party impacts.

Global Headquarters
1430 Broadway, 8th Floor
New York, NY 10018
+1.212.897.4800
support@advisen.com

www.advisenltd.com

Page 8 of 8