

At A Glance

Economic Analyses of Oil Spills and Other Environmental Hazards

Overview

NERA has been applying economic principles on behalf of clients around the world for over half a century, providing analysis, expert testimony, and regulatory insight in complex litigation, regulation, and economic consulting engagements. Our experts have reputations for independence, always delivering unbiased findings and holding ourselves to the highest standards of objectivity and integrity.

The analysis of claims in litigation is one of NERA's core consulting businesses and our experts have extensive experience with the array of claims that may result following a major oil spill or other environmental hazard. We specialize in analyzing, forecasting, and valuing personal injury, property damage, loss-of-income, business interruption, commercial damages, and environmental claims. Where needed, we provide expert testimony to support or defend claims for damages. Our experience includes estimating environmental damages and lost income claims in connection with the Exxon Valdez and Amoco Cadiz spills as well as evaluating similar issues in other environmental settings. This history is also helpful in identifying other potential issues in large and complex claims. NERA economists from our Mass Torts, Environment, Energy, Labor, and Finance practices each contribute specialized experience to these engagements, allowing us to bring a full set of skills and perspectives to each assignment.

Key Areas of Expertise

Environmental Damage/Clean-Up Claims

- NERA economists are widely recognized as leading experts in environmental economics.
- We have extensive experience, working with fisheries biologists, in developing empirical estimates of the values of potential losses to commercial fishermen, potential damages related to recreational fishing, and potential effects on wetlands and related marine effects.
- We have extensive experience and familiarity with assessments of potential non-use damages related to changes in aquatic and other environmental conditions.
- We have extensive experience in valuation of natural resource damages as well as other environmental and human health damage assessments.
- We have developed methods to value changes in major ecosystems, including wetlands.
- We have developed estimates of tourism expenditures and have an expertise in estimating potential losses related to changes in tourism caused by environmental disasters.
- We have assessed the costs of environmental remediation, as well as the suitable allocation of these costs, and any associated liability risks.



Government Claims (other than environmental damage and cleanup)

- NERA helps clients with policy design and advice as well as policy analysis (for example in regulatory and legislative settings).
- NERA experts have evaluated the economic impacts of regulation in a host of energy and environmental areas, including offshore safety in crude oil handling and other policies affecting the oil and gas sector. Issues include the effects of alternative regulatory regimes on incentives for efficient exploration and risk management, the potential social costs under different regulations, and the potential overall costs and benefits of alternative regulatory regimes.
- Our experts have broad experience in using regional economic models to forecast the effects of environmental events and energy and environmental policies on critical economic variables such as employment, regional output, and personal income.
- We have developed estimates of the effects of various changes in employment, industry, property values and other factors on local/state taxes and revenues.

Loss of Earnings Claims

- NERA experts have evaluated economic losses and labor market conditions for displaced workers in hundreds of cases covering virtually every major industry and occupation.
- We are experienced in analyzing claims involving large classes of employees and have handled damage calculations and allocations in cases involving tens of thousands of claimants.
- We understand how to gain efficiencies from building models to analyze groups of workers while still capturing the individual circumstances of each claimant.
- NERA economists also pioneered a method of assessing the reasonableness of plaintiffs' efforts to mitigate their losses.

Large Scale Commercial and Business Interruption Claims

- NERA economists have provided business interruption and lost profit claims analysis in thousands of individual loss incidents ranging from small retail businesses to large heavy commercial and industrial disasters and have analyzed such claims for 1st party P&C carriers and 3rd party liability carriers.

- Our experts have the accounting expertise to analyze available books and records, as well as the economic and financial expertise to measure losses where books and records no longer exist.
- We address issues including loss mitigation and other extra expenses, civil authority, ingress and egress, overlapping coverage or gaps in coverage, and market based issues of supply and demand.

Property Damage Claims

- NERA experts have extensive experience forecasting and valuing property damage claims, including claims for remediation or repair costs and for diminution of value.
- Our experts bring together the required disciplines—including economics, statistics, survey design, accounting, computer programming, and insurance modeling—to address the complex valuation problems that arise from property damage due to catastrophic accidents.
- We have analyzed consumer demand, measured the value that consumers place on product attributes and valued the impact of a specific event or defect on property values. We also use event study and time series analysis to measure changes in historical prices coincident with an event and use historical data associated with similar events to forecast future recovery in property value.

Personal Injury Claims

- When environmental hazards create long term health risks, NERA experts have been asked to develop forecasts of personal injury claims, such as those arising from ground-water contamination.
- In hundreds of cases, we have been retained to forecast product liabilities, combining scientific analysis with behavioral economics. Our forecasts include annual cash flow projections, which can be broken out by characteristics such as disease and claimant age. Our professionals also are able to map these forecasts against available insurance.
- Among other applications, we use such forecasts to help companies manage their claims processes, establish reserves, assess insurance coverage, evaluate litigation strategy, and value bankruptcy trusts and frequently discuss the results with the companies' auditors and present our findings to Risk Managers and Boards of Directors.



Data Management

NERA has expertise in areas of data management that are essential to developing reliable estimates and forecasts of claims.

- *Managing and Coding Hard Copy Claim Files.* NERA experts have mastered all aspects of managing, triaging, capturing, coding, and organizing information from claims files to generate electronic claims databases. We have coded large numbers of personal injury and property damage claims.
- *Expertise in Datasets from the US Census Bureau and Other Agencies.* We routinely work with data from the Census, the American Community Survey, and the Current Population Survey. Such sources contain comprehensive information on demographic, social, economic, and housing characteristics of the U.S. population (such as income, employment status, occupation) that are used as inputs to our labor market analysis.
- *Statistical Sampling and Data Analysis.* NERA experts have designed robust statistical samples to extract a small but reliable subset of the relevant population for review. We use rigorous sampling and statistical techniques to determine whether a sample is representative of the population and have testified about sampling methodologies. Our experts have designed samples for a variety of purposes, including estimating the size of property damage or personal injury classes; quantifying the rate of product defect, contamination, or failure; determining the expected rate of injury or illness; assisting in the resolution of insurance disputes; and conducting cost effective preliminary analyses to aid in directing legal strategies and future research.
- *IT and Programming Capabilities.* NERA has a core group of expert programmers, dedicated in-house high capacity servers, and close relationships with major vendors such as SAS and EMC to bring the latest technology to bear on our work. We have the expertise to construct and analyze large and complex electronic datasets and we are resource flexible, meaning that we can scale up to meet the demands of any project.

Financial Advisory and Performance Management

- Managing mass tort litigation often involves specialized financial planning and performance management issues. NERA combines claim forecasting models, insurance allocation assumptions and models of claiming administration to estimate expected future cash flows. The cash flow models are also used to evaluate alternative litigation and settlement strategies.
- Our experts evaluate the trends in claims processing and settlement payments made by major settlement facilities. This analysis can be used to assess performance and to provide leading indicators of compliance issues.
- Mass litigation often demands that local counsel be used in a wide number of states. Claims filing and resolution data can be used to track performance over time, to assess the effectiveness of alternative strategies and to compare jurisdictions. NERA experts use multivariate regression to analyze the contribution of the many factors affecting claims filing and resolution volumes and costs.

Our Clients

NERA experts have worked for a wide range of clients in these matters, including defendants such as chemical companies, petroleum companies and pharmaceutical companies, as well as plaintiffs such as oil spill claimants and state and city governments. In addition, NERA has been retained as a special master to mediate disputes. For example, in connection with the Tobacco Master Settlement (MSA) we were jointly hired by the settling states and the tobacco companies to act as the independent firm of economists to adjudicate between the parties. This range of clients and engagements illustrates NERA's capabilities, capacity, and independence to provide rigorous and reliable analysis, expert testimony, and regulatory insight in complex litigation, regulation, and economic consulting.



About NERA

NERA Economic Consulting (www.nera.com) is a global firm of experts dedicated to applying economic, finance, and quantitative principles to complex business and legal challenges. For over half a century, NERA's economists have been creating strategies, studies, reports, expert testimony, and policy recommendations for government authorities and the world's leading law firms and corporations. NERA serves clients from more than 25 offices across North America, Europe, and Asia Pacific.

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