

ALLOCATION OF EXPENSES UNDER THE EIC

ALLOCATED LOSS ADJUSTED EXPENSES (ALAE)

“**Costs**’ means court costs, post judgment interest upon awards and judgments, premiums on appeal bonds, and investigation, adjustment and legal expenses paid by the **insured**, but does not include office costs and expenses of the **insured**, salaries and expenses of employees, or retainer fees of counsel regularly retained by the **insured**.”

Example 1 - If the **net loss** exceeds the **insured’s retention**, then the Company shall reimburse the **insured** for the **costs** incurred by the **insured** in the ratio that the Company’s proportion of the **net loss** bears to the whole amount of such **net loss**.”

Example 2 - If the **net loss** is equal to or less than the **insured’s retention**, then no **costs** shall be payable by the Company.

Example 1

Auto Liability - BI	\$ 175,000
Auto Liability - PD	\$ 75,000
Motor Truck Cargo	\$ 25,000
<u>Physical Damage</u>	<u>\$ 100,000</u>
Incurred Loss	\$ 375,000
"Costs"	\$ 30,000

Allocated Loss Adjusted Expenses

Insured SIR - \$50,000	13.3%
Excess Loss - \$325,000	86.7%

Insured ALAE = 13.3% X \$30,000	\$ 3,990
Hudson ALAE = 86.7% X \$30,000	\$ 26,010

Insured Total = \$50,000 + \$ 3,990	\$ 53,990
Hudson Total = \$325,000 + \$26,010	\$ 351,010
<u>Claim Total w/ ALAE</u>	<u>\$ 405,000</u>

Example 2

Auto Liability - BI	\$ 15,000
Auto Liability - PD	\$ 5,000
Motor Truck Cargo	\$ 1,000
<u>Physical Damage</u>	<u>\$ 5,000</u>
Incurred Loss	\$ 26,000
"Costs"	\$ 4,000

Allocated Loss Adjusted Expenses

Insured SIR - \$50,000	100.0%
Excess Loss - \$0	0.0%

Insured ALAE = 100% X \$4,000	\$ 4,000
Hudson ALAE = 0% X \$4,000	\$ -

Insured Total = \$26,000 + \$ 4,000	\$ 30,000
Hudson Total = \$0	\$ -
<u>Claim Total w/ ALAE</u>	<u>\$ 30,000</u>

