

## **GUIDELINES FOR ADMINISTERING CLAIMS** **(Calculation of Payments)**

### Calculating the Amount of Payment for Claims

1. Replacement Remedy
  - Replacement remedy is limited to owners of connectors and would not include subrogated insurers.
  - \$4 per qualifying connector, up to five connectors per household for a \$20 maximum recovery.
  - To qualify, a connector must satisfy the Product Identification standards above, and the claim must be submitted during the period described in the Timing for Claims section.
  - Class Members must also document that they replaced the Watts connectors.
  
2. Property Damage
  - “Claimants” that can pursue the property damage remedy include consumers, subrogated insurers and parties (such as plumbers) who seek contribution or indemnification from Watts.
  - Not less than \$4 but not more than 25% of qualifying property damage caused by connectors that meet the Product Identification and Timing requirements above.
  - To qualify, a connector must satisfy the Product Identification standards above, and the claim must be submitted during the period described in the Timing for Claims section.
  - As a result of the Timing requirements, claimants must identify the date of failure.

- “Property damage” is defined to mean physical damage to the residence (or other structure), or to tangible personal property. Property damage must be caused by a toilet connector that meets the Product Identification and Timing requirements above.
  
- Hold-back / Catch-up Payments
  - In order to ensure that all claimants are able to recover the same percentage of their qualifying damages from the fund, the following system will be used.
  
  - All claims for failures that occurred during the initial claims period of January 1, 2009 through January 1, 2012 must be submitted within one year after the Final Order and Judgment.
    - The amount of claims made during the first year will determine the percentage of qualifying damages that is paid to each claimant in the subsequent four years of the Damage Claims Period.
  
    - The Administrator should make a projection based on the total amount of claims received during the first year in order to determine whether the full 25% can be paid or whether some part must be “held back.”
  
    - First, the Administrator will subtract the total amount spent on Replacement Remedies from the Common Fund. The remaining amount will be used to project the holdback amount for property damage claims.
  
    - Next, the Administrator will assume that the same amount of claims received in the first year of the Damage Claims Period will be submitted in the subsequent four years.
  
    - If the projection shows that there will be sufficient money in the fund to cover the claims

over five years, then Claimants submitting claims in the first year shall be paid the full 25%.

- If the projection shows that there will not be enough money in the fund for each Claimant to receive 25% of their qualifying damages, the Administrator shall pay a smaller percentage, “holding back” the remainder until the end of the five-year Damage Claims Period.
- Each claimant will be paid the same maximum percentage of qualifying damages.
- The following example illustrates the hold-back procedure.
  - Common fund remaining after payment of Replacement Remedies = \$15 million.
  - First year claims = \$16 million
  - The Administrator will project the actual amount of first year claims to each of the remaining four years.
    - Total projected claims for all five years = \$80 million
  - 25% of \$80 million = \$20 million. There is not enough money in the Common Fund to pay 25% of all projected claims.
  - The Administrator will calculate the maximum percentage that can be paid to each claimant in each year – holding back the rest.
    - 18.75% of \$80 million = \$15 million (the amount of the Common Fund)

- Therefore, each valid claim will be paid at 18.75% of property damages. The rest will be held back subject to the catch-up procedure described below.
- All claims for failures that occur after January 1, 2012 must be submitted within five years after the Final Order and Judgment, and will be paid annually on the annual anniversary of the Final Order and Judgment.
- If there has been a hold-back for prior claimants, that same lower percentage shall be applied to all claims going forward. Thus, if 20% of qualifying damages were paid in year one, that same percentage would be applied to years two through five of the Damage Claims Period.
  - If there is not enough money in the fund in a particular year of the Damage Claims Period to pay claims at the percentage applied to prior Claimants, then the Administrator shall recalculate the percentage of payment.
  - This recalculation shall use the same formula described above.
    - The Administrator will assume that the same amount of claims received in the current year will be submitted in each of the remaining years.
    - Based on this projection, the Administrator will determine the percentage that can be paid, with the remainder being “held back.”
  - This recalculated / lower percentage will be used for each remaining year in the Damage Claims Period.

- If the “hold-back” procedure is used, “catch-up” payments shall be calculated as follows.
  - At the end of the five-year Damage Claims Period, the Administrator shall assess the amount of money remaining in the common fund.
  - Any remaining money shall be distributed on a *pro rata* basis to each claimant who had part of his payment held back (i.e., who received less than 25% of qualifying damages). These *pro rata* catch-up payments shall be distributed proportionally to all claimants with the goal of paying them up to 25% of their qualifying damages.
  - Catch-up payments shall be made until all claimants have received 25% of their qualifying damages, or the fund is depleted, whichever comes first.
  - Returning to the example above, all claimants who received 18.75% of qualifying damages shall be paid *pro rata* until they have received 25% of their qualifying damages or the fund is depleted.
- No Claimant shall receive more than 25% of their qualifying damages.
- No Claimant is expected to receive less than \$4 for property damage. If there are no qualifying property damages, \$4 shall be the amount paid.
- Any money remaining in the fund after all claims and catch-up payments are made shall be reported to the Parties, who shall in turn report to the Court.

## Disputes with Claimants

1. Claimants may appeal the Administrator's determinations regarding product identification, timing of claims, and qualifying damage amounts.
2. All appeals will be submitted to a Special Master who will be appointed at the time of the Final Order and Judgment and who will determine the format for presenting evidence and arguments regarding the dispute.
3. If the Claimant loses the appeal, it will pay the cost of the Special Master. If the Administrator's determination is reversed in favor of the Settlement Class Member or other Claimant, the cost will be paid from the fund.