

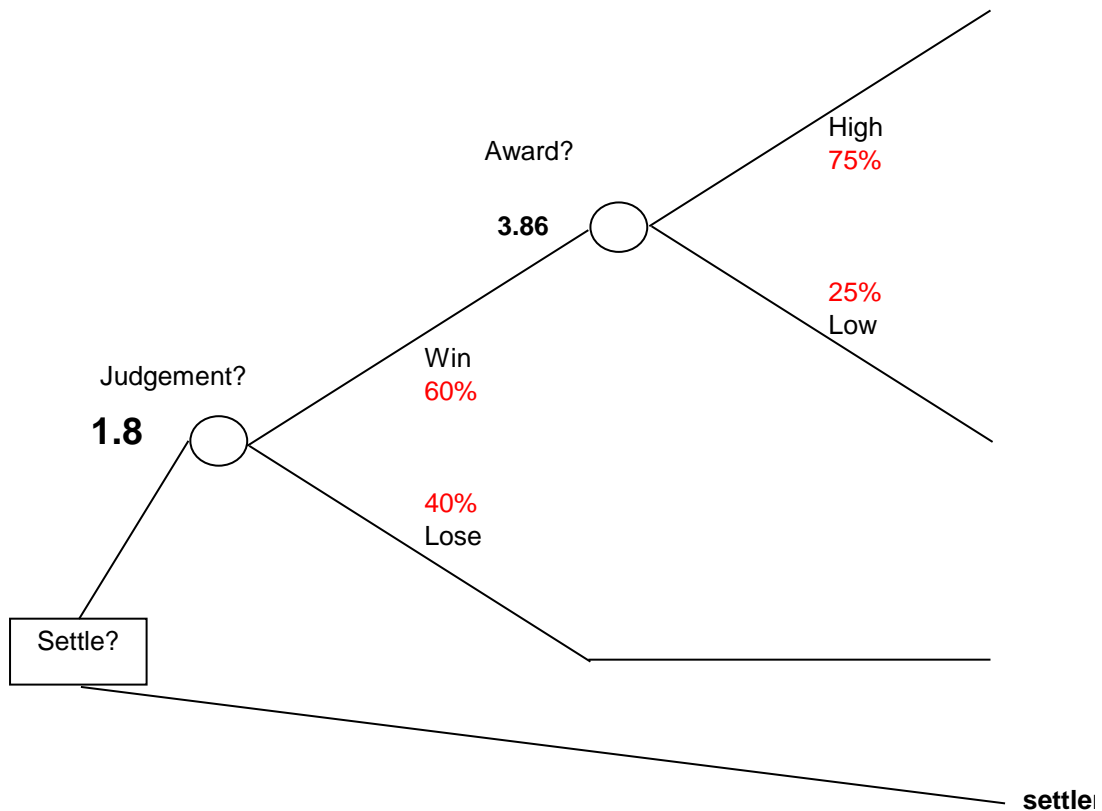
Decision Trees and Risk Analysis Examples

This is a simple case. The judge decides whether you win or lose. They also decide, if you win, it may be simple, but, used wisely, it applies to many situations.

You can change the numbers (probabilities and payoffs) to suit your circumstances.

The sensitivity table shows how the overall value of going to court varies with the probabilities

Decision tree



	Get high a			
£m	10%	20%	30%	40%
10%	1.0	0.9	0.9	0.8
20%	0.7	0.6	0.5	0.5
30%	0.5	0.3	0.2	0.1
40%	0.2	0.1	0.1	0.3
50%	0.0	0.2	0.4	0.6
60%	0.3	0.5	0.8	1.0
70%	0.5	0.8	1.1	1.4
80%	0.8	1.1	1.4	1.7
90%	1.0	1.4	1.7	2.1

Win Judgement?



how much you should be awarded.

of winning and of a high award.

Total	Payoffs					
	Award	Costs to date	Costs to trial	80% Costs recovered	Rival's cost payment	Mgt costs
£m						
4.86	5.00	-0.20	-0.50	0.56	0.00	-0.20
0.86	1.00	-0.20	-0.50	0.56	0.00	-0.20
-1.20	0.00	-0.20	-0.50	0.00	-0.50	-0.20

ment offer

if settlement offer > expected value of going to court, accept!

ward?

	50%	60%	70%	80%	90%
-	0.8	- 0.8	- 0.7	- 0.7	- 0.6
-	0.4	- 0.3	- 0.2	- 0.1	- 0.1
	0.0	0.1	0.3	0.4	0.5
	0.4	0.6	0.7	0.9	1.1
	0.8	1.0	1.2	1.4	1.6
	1.2	1.5	1.7	2.0	2.2
	1.6	1.9	2.2	2.5	2.8
	2.0	2.4	2.7	3.0	3.3
	2.5	2.8	3.2	3.5	3.9