



illustration / Rafael Edwards

A Celebration of Our Legacy

Carolyn Fahey

AIRROC Annual 2021

Those who remember *AIRROC Matters* might recall that with each of my columns I chose an animal as the inspiration to tell my story for that quarter. Our wonderful illustrator, Rafael Edwards, would create a beautiful illustration for the article. The animal, and the illustration, was well received because they made the message more memorable and meaningful. When we made the transition to the digital newsletter, Rafael created the graphic you see on the left that included all of the animals showcased in my columns. As I write this introduction to our first *AIRROC Annual*, sharing this fantastic culmination as “Carolyn’s Menagerie” seemed fitting.

Both 2020 and 2021 have been years of adjustments for all of us—both personally and professionally. As I reflect on what we have learned, two words come to mind: persistence and resilience. If we didn’t already have them before, we certainly do now. We all demonstrated how we could adapt and excel during the most challenging times.

The most important message for AIRROC is that the legacy sector wants to connect. We want to be together again, and AIRROC is a driving force behind many of those relationships, connections, and industry colleagues. We—the legacy sector—are resilient and persistent.

It seems appropriate that we would revisit our past accomplishments and look ahead at what is to come. Hence, I am pleased to introduce the *AIRROC Annual*, which was carefully planned and crafted by a persistent, and amazing team: our Digital Content Committee, chaired by AIRROC directors Dawn Ballin of Enstar and Brendan McQuiggan of Chubb, Digital Content Manager Maryann Taylor, “Creative Director” Peter Scarpato, with design and layout by Nicole Myers who for many years worked with us on *AIRROC Matters*.

Within these pages you will find articles, interviews, perspectives, photos and

more—each piece a celebration of who we are: AIRROC, a legacy community of our members and partners, and many exceptional individuals who enable me to do what I do on your behalf.

We begin with an informative discussion on perspectives among founding Editor, former AIRROC board member and chair of the AIRROC Publication Committee for many years, Peter Scarpato and the two current AIRROC board members and co-chairs of the Digital Content Committee, Brendan McQuiggan and Dawn Ballin. They provide a bit of history and a great introduction to why we created this issue for you.

As we enter our 18th year, we stand stronger than ever and look ahead to the future as we create our own legacy.

As we look back on 2021, highlights that bear celebrating include a conversation that Connie O’Mara and I had with outgoing AIRROC chair Bill Teich of the Hartford, and incoming chair Bill Goldsmith of AIG, presentation of the AIRROC Person of the Year, and the Trish Getty Scholarship honoree.

Our NextGen Task Force is bringing new ideas to AIRROC and excelling in implementing them. Learn more about who they are and what they have already accomplished—and they are just getting started!

We feature an article penned by Arkansas Insurance Commissioner Alan McClain that touts the new Insurance Business Transfer Act, joining the growing list of states with similar laws benefiting insurers seeking to restructure and improve operational efficiency.

Up next are articles selected from past 2021 issues of *AIRROC Update*, and reprinted to mark the significant high points in the legacy sector for the year. For example, we have an article by Luann Petrellis on the first Division that was

completed in Illinois. The summary of the Racial Equity panel discussion underscores the importance of diversity and inclusion in the insurance industry, and 2021 saw the retirement of Ken Randall—founder of R&Q and a true visionary.

AIRROC was founded in December 2004. As we enter our 18th year, we stand stronger than ever and look ahead to the future as we create our own legacy.

These are not the easiest of times, yet there are many opportunities to contribute, collaborate and excel. AIRROC has done that in 2021—and will continue to make an impact for years to come. ●

With Warmest Regards,

Carolyn Fahey
Executive Director



Carolyn Fahey has been the Executive Director of AIRROC for ten years. In that role she is the voice of AIRROC and the U.S. runoff industry. She works with the AIRROC Board of Directors to set and execute the overall strategy and operations for the association. She is a frequent speaker, author and educator on the legacy sector. Ph: 703-730-2808. carolyn@airroc.org

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AIRROC ANNUAL 2021

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Never Say Never

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A Bright Time for Legacy

AIRROC On Demand

Thanks to Our Corporate Partners

AIRROC 2021 Accomplishments by the Numbers

AIRROC Board of Directors & Officers 2021

Bill Teich (Chair) Vice President of Reinsurance, The Hartford

Bill Goldsmith (Co-Vice Chair) Associate General Counsel - Reinsurance, AIG

Betsy Mitchell (Co-Vice Chair) Reinsurance Manager, A.G. Risk Management Inc.

Marianne Petillo (Treasurer) President and CEO, ROM Reinsurance Management Company

Dawn Ballin Senior Vice President and Head of Claims, Enstar (US)

Bill Bouvier Vice President, Director – Assumed Reinsurance Claims, RiverStone

Steve Falk Vice President Accounting, Resolute Management Inc.

Michael Fitzgerald Senior Vice President, Legacy Management, QBE North America

Edward Gibney Global Head of Credit Control & Commutations, R&Q Solutions LLC

Eleni Iacovides Chief Development Officer, Compre

André Lefebvre Chief Financial Risk Officer, Arrowpoint Capital

Brendan McQuiggan Senior Vice President, Reinsurance, Brandywine Holdings/Chubb

Thomas Mendralla Vice President, Portfolio Management, Swiss Re America Holding Corporation

Sally Redd Director of Reinsurance Administration, Allstate

Leah Spivey Head of Business Runoff Operations, Munich Re America

Megan McHugh (Secretary)* Claim Director, Assumed Reinsurance, Brandywine Holdings/Chubb

Carolyn Fahey (Executive Director)* AIRROC

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Never Say Never

Peter Scarpato, Dawn Ballin & Brendan McQuiggan

The AIRROC Annual Reveal



The old expression “never say never” has NEVER been so applicable as it is here, with the release of the AIRROC Annual (“Annual”). With this edition, we return to the hard copy magazine format last published in 2019. To those pining for the look and feel of our “old glossy,” the Annual hits all the marks, and more. In addition to many similar styles and illustrations, it includes new designs and updated imagery, and highlights key content from our digital publications and events throughout the year, reflecting AIRROC’s continuing dedication to focused, timely improvement.

As someone who worked on the old Publication Committee from its inception, it never ceases to amaze me how far the content, design and impact of the magazine have come. Volume 1, No. 1 of *AIRROC Matters*, published in the Fall of 2005, was a 20-pager, containing a handful of topical articles, a few advertisements from the legacy

community, and introductory pieces from me as Editor-in-Chief and Trish Getty as AIRROC’s first, intrepid CEO and Executive Director. Other than contributing author headshots, less than clear photos from some events, and the occasional color shaded section, the pages were mostly plain and black and white, reflecting few design elements. Contrast that with Volume 15, No., 1, our last hard copy edition, published in the Spring of 2019 which has much more. It included nine articles, 15 ads, and dozens of sharp, expertly framed pictures. This 40-page edition contained a boldly colored, cleverly designed cover and several creative illustrations, the signature artistry of our design production team and Chilean illustrator. In these 15 or so years the magazine evolved to include exclusive sections for important events and attracted interviews and commentary from key industry and regulatory officials working in the legacy space. With this growth in size and substance came an expansion in popularity and impact, as more and more AIRROC members and non-members turned to *AIRROC Matters* to stay informed and up to date.

The physical magazine was more than just an excellent marketing tool for AIRROC – it was a representation of how our organization and the industry has grown and changed over time...

This premier of the *Annual* contains many of the same elements – and more – that made the original magazine a success. We know that you will nevertheless have questions. Accordingly, we decided who better to answer those questions than the former and current Chairs of the old Publication Committee and current Digital Content Committee: Dawn Ballin, Brendan McQuiggan, and me, Peter Scarpato.

Peter: Why did AIRROC return to a hard copy at all, given the successful transition to a digital newsletter?

Brendan: Great question, Peter. While the move to digital distributions has gone smoothly and the e-publication has been well received in the industry, there is no denying that the move online meant some things were

lost. The physical magazine was more than just an excellent marketing tool for AIRROC – it was a representation of how our organization and the industry has grown and changed over time, a reflection of the key issues and questions that occupied the sharpest minds in the legacy space, and a record of the conversations, legal decisions and personnel changes that mattered most. Our magazine, just like our entire industry, went exclusively online two years ago. As we took our first steps towards again conducting the business of run-off in person which started with the annual meeting and Transaction Forum this past October, the Executive Committee, together with the Digital Publication Committee, decided to bring back a version of the physical magazine, on a limited basis, to try and capture some of those benefits that come from the physical medium. Rest assured we are continuing our publication of the digital newsletter in 2022.

Peter: Why did we issue an AIRROC Annual edition? What is it meant to cover?

Dawn: We wanted to celebrate our accomplishments with a yearbook that would be meaningful for the entire membership and reflect both the vintage look of the old edition and novel

We wanted to celebrate our accomplishments with a yearbook that would be meaningful for the entire membership and reflect both the vintage look of the old edition and novel elements of the new issue.

elements of the new issue. The AIRROC Board is incredibly proud of what this organization, through the hard work of its member organizations, committees, and sponsors, accomplished in the past year. A special shout out to Carolyn Fahey, AIRROC’s Executive Director, who did an amazing job of keeping AIRROC on track and running smoothly. Despite the enormous challenges of the pandemic, AIRROC continued to organize seminars, forums, and education sessions, and published original content that reached more legacy professionals than ever. We are covering the highlights of our original content and spotlighting our most interesting and impactful presentations.

Peter: Will this be a recurring edition every year?

Brendan: We hope so! The *Annual* provides our members with an opportunity to reflect on a year in review. Our focus right now is on publishing the

best product possible, including bringing back the original design team to continue the tradition of creating beautiful and meaningful cover illustrations which are commissioned and executed exclusively for AIRROC. ●

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Dawn Ballin, Senior Vice President, Head of Claims, Enstar (US); Ph: 908-447-6265; dawn.ballin@enstargroup.com; lawyer with expertise in U.S. complex litigation.

Brendan McQuiggan, Senior Vice President for Reinsurance at Brandywine Holdings (a division of Chubb Insurance Company). The Brandywine Reinsurance Group is responsible for all aspects of reinsurance in connection with Chubb’s legacy insurance book.

Congratulations to Brendan McQuiggan on his recent promotion to Senior Vice President –Head of Brandywine Reinsurance, the legacy/run-off division of Chubb Insurance Company.



On the Cover

The cover and back page of the *AIRROC Annual* continue the “flocking-bird” theme originally used in the prior hard copy magazine to commemorate the gathering of world-wide industry representatives at the yearly October event. As before, this theme is captured beautifully by our talented Chilean illustrator Rafael Edwards and design team, headed by Nicole Myers of Myers Creative Services. Every creature is unique, but one in particular was selected specifically for the *Annual*. The Aldabra Rail, the rust and brown, white-breasted bird (walking below the tree on the color illustration), was once thought to be extinct but recently miraculously reappeared, 20,000 years later. Like the Aldabra Rail, the hard copy magazine, once thought to have passed into AIRROC history, has reemerged in this premier issue of the *Annual*.

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For additional information on GB capabilities please reach out to Caryn_Siebert@gbtpa.com or Jon_Stambaugh@gbtpa.com

Teich to Goldsmith C-Suite Shuffle

Connie O'Mara

Conversation between Outgoing and Incoming AIRROC Chairs



Bill Goldsmith



Bill Teich

After serving as Vice-Chair of the Board of AIRROC, Bill Goldsmith, Associate General Counsel – Reinsurance, AIG, takes the helm as Chair from Bill Teich, Vice President of Reinsurance, The Hartford. [If you are curious about why the boating analogy is appropriate for Bill Goldsmith, or you simply want to read more about Bill, his Legacy Link profile can be found here: <https://www.airrocupdate.org/legacy-link-meet-bill-goldsmith>.] While not exactly My Dinner with Andre at the Café Des Artistes, we used the now ubiquitous Zoom to record the hand-off.*

Bill Goldsmith (“Bill G”): Good morning.

Bill Teich (“Bill T”): Good morning.

Bill G: How did you first get involved in AIRROC?

Bill T: I got involved right at the beginning. I was working for Andrew Maneval, who was part of the original group that formed AIRROC; I understood the need that AIRROC filled in the industry. While I was in the background for a time, it has always been a key component of my experience in the legacy industry. I owe Andrew for this one.

Bill G: Tell me about your background in legacy work. Were you always in this business or did you move to it later in your career?

Bill T: I started as an “All Lines” adjuster at The Hartford and did that for about 5 years and then I saw an opening in our environmental unit which sounded exciting, so I moved over; that was my first segment of legacy. When I made the move, people I worked with thought I was crazy: It was a short term job, wouldn’t go anywhere, we’ve all heard that... [laugh]. From there, I got into asbestos, other latent exposures, and then ceded and assumed reinsurance claims. It’s been 30 years in legacy.

Bill G: How did you advance to the Board of AIRROC?

Bill T: When Marcus Doran was leaving, he asked me to consider taking his place on the Board. I did because I had been a supporter of AIRROC over the years and I felt it was my turn

to give something back and get more involved. It was great to meet and work with everyone and that led to me being Vice-Chair and then Chair.

Bill G: In finishing your third year as Chair, can you think of a few things of which you are most proud that took place during your tenure as Chair?

Bill T: There are a couple of things that come to mind. First, I have to say AIRROC's successes were not because of me, but because of the group we had; we wouldn't have succeeded without the teamwork. I am proud of AIRROC's flexibility and resilience in dealing with COVID. AIRROC was able to respond quickly, and to continue to bring value to our members through remote education. It stepped up to the challenge, and it is a great example of what we can do working together. I am also pleased with our growth in membership. I don't know if you remember, but a few years ago, our membership was starting to decline, and a lot of effort was spent to get out the AIRROC message and what it does for the legacy business. For at least the past three years, we have had an upward trajectory in membership. That is fantastic for the industry and for AIRROC. The last thing is the consistency of our Board, our Corporate Partners, our Advisory Council, and our members to get everyone to step up to the challenge to deliver great content. For me, it was best to stay out of the way and let people do what they do best.

Bill G: As someone who has been involved only a few years, I am curious as to what you have seen, since the formation, as the biggest changes over time to what we have now?

Bill T: The biggest change for me, early on, was the experience of chasing reinsurance balances, meeting my peers from other companies, and dealing with issues in dispute. Now, it is more about solutions, and how can we take care of our legacy issues together so that everybody wins. So, a

real change in direction for AIRROC. One thing that comes to mind more recently is our migration from *AIRROC Matters*, our print magazine, to *AIRROC Update*, our digital newsletter. The magazine was the lifeblood of AIRROC for a number of years; its content represented who we were. It was a challenge to make the decision to go digital. We spent a lot of time debating and working on this and we are really pleased with the migration that has taken place. To me, it is really a huge change in how we deliver our content and remain relevant for our members, and I think, we have innovated in a way

First, I have to say AIRROC's successes were not because of me, but because of the group we had; we wouldn't have succeeded without the teamwork.

—Bill T

to better serve the next generation of legacy members; it is now available on demand and is something that can be accessed when needed, rather than just a hard copy that gets delivered periodically during the year. In addition, we implemented an Advisory Council that is comprised of outside participants in legacy business, and one of our most popular programs, the annual Deal Forum, was a product of advice and assistance from them.

Bill G: So, now that you are stepping down and I will be the "Next Gen," can you offer me some Do's and Don'ts.

Bill T: The first Do is to trust the organization and the people who surround you. It is not a micro-management situation. The focus is on the big picture that we have the right committees in place, and about letting the people do the work. As evidenced by our work together, I have had a good relationship with the Executive Committee, and it is critical to have clear and honest communication among the board members.

Bill G: Anything else?

Bill T: As AIRROC has done in the past, the key is to stay really close to the legacy industry. It continues to be an exciting place and AIRROC needs to remain closely aligned. It is a great time to do what we do, so the organization needs to deliver engagement that stays close to the needs of this sector.

Bill G: I agree with everything you said. It is an exciting time for AIRROC and we look for good things in the coming years. Do you have any questions for me?

Bill T: I have a couple of questions for you, Bill. How did you get started in legacy?

Bill G: So, I became a lawyer in 1985 and started working at the law firm of Mendes & Mount which devoted about 100% of their practice to insurance and reinsurance disputes and advice, and I started handling cases mostly for London Market clients. About three quarters of my caseload involved health hazard claims and coverage issues arising from exposure to chemicals, pharmaceuticals, medical devices, lead paint—the big names we all know from the past 30 years. While caselaw had developed regarding asbestos and environmental coverage issues, there was not a lot of guidance in handling other long term exposures, like lead paint. I was fortunate to have the opportunity to work in an area where you could use background on asbestos and environmental issues, and apply the lessons learned to the developing exposures. After 19 years at that firm, I was recruited to the AIG Reinsurance legal group and within that group, we handle a significant number of disputes in the legacy area, and we also deal with current ongoing issues.

Bill T: That's interesting, Bill and great background. How did you first get involved in AIRROC?

Bill G: I attended a few educational events over the years, but it wasn't until Mindy Kipness retired (she was the

AIG representative to AIRROC and was on the board) that I was asked to replace Mindy on the board. Actually, let me rephrase that. No one could ever replace Mindy. But, similar to how you replaced Marcus, I took Mindy's spot and got involved with the Governance Committee. Then Carolyn (Fahey) called me one day and said "Bill, we are looking to form a new Executive Committee, and we would like you to think about being on it." I said yes.

Bill T: As you know, the leaders of AIRROC have direct influence over its direction. What do you see as its priorities over the next two years?

Bill G: This question is well timed since the Executive Committee just met to discuss priorities for next year and the foreseeable future. Our first priority is to capitalize on the success of the last few years by increasing membership levels. I think it is important that we do this by providing the highest quality range of services to our members: networking events, educational programs, in-person panel discussions, webinars, "AIRROC On Demand," all the online resources, and all the things we do. We have to invest the time and effort to ensure that success continues, and I think the quality of the programs we provide has contributed to our increase in membership. Also, I agree with you that we need to be nimble to adapt to pandemic conditions. Carolyn deserves a lot of credit but there is no one person who made all of this happen; it was the entire board and committees that came together and said, "here's how we are going to adapt." We need to continue to do that. We don't know what is going to happen over the next year. As the pandemic continues, as much as we really want to get people together in the same room, we have to make sure it is done in a responsible way. We need to do it in a way that continues our agenda and in a way that continues to provide top quality programs.

Bill T: What do you think we have done particularly well during your time as vice-chair?

Bill G: I was most impressed with our Strategic Plan initiative that started before I was co-vice-chair. This process was highly effective; we used brainstorming sessions and we brought in outside consultants to lead the discussions. Then, while I was Vice-Chair, we did an update and in fact, now we are looking at that Strategic Plan every year to find ways to improve it. I think that process is a major factor in attracting new members and generating

We have to invest the time and effort to ensure that success continues, and I think the quality of the programs we provide has contributed to our increase in membership.

—Bill G

interest within the industry as to what we do. To the extent people happened to think that AIRROC was only concerned with old issues and old business, we have proven ourselves to be agile enough to deal with current issues facing the industry. One of the key initiatives that came out of this Strategic Plan review was the Advisory Council and that Council has recommended programs that have increased participation, such as the annual Deal Forum.

Bill T: Are there any changes that you have in mind for AIRROC going forward under your leadership?

Bill G: I don't see any major changes. There are some organic changes that we are talking about within the Executive Committee and the Governance Committee, such as the length of terms on the board, the size of the board, and the accessibility to the board to different types of members. They are topics of discussion over the next year, and there will be recommendations made that will be aimed at making sure everyone's voice is heard. I do not see any other significant changes.

Bill T: Last question, Bill. What can members of the industry do that would give them greater benefit from AIRROC?

Bill G: Come to our events!

Bill T: Isn't that it! Come to our website! Come to our events!

Bill G: We will continue to have live events, hybrid events, and webinars in the future; we have our online resources such as "AIRROC On Demand." We need to encourage people to take advantage of our content. I think we need to encourage active AIRROC participants to take that message back to their companies. We would also like member companies to encourage their people to achieve a CLP (Certified Legacy Professional) designation.

Carolyn Fahey: In closing, the AIRROC organization owes a tremendous debt to its past and current board members, for their time, creativity, and willingness to step up, and take leadership responsibility for the organization. ●

* "But, Wally, don't you see that comfort can be dangerous? I mean, you like to be comfortable and I like to be comfortable too, but comfort can lull you into a dangerous tranquility."

—From *My Dinner with Andre*



Connie O'Mara is a member of the AIRROC Advisory Council, a AAA neutral, ARIAS certified Arbitrator, and an expert witness on coverage issues arising from run-off insurance and reinsurance matters. She can be reached at 609-502-8607, connie@cdomaraconsulting.com

AIRROC Person of the Year 2021: Glen Mulready

Oklahoma Insurance Commissioner for the Win

“Innovation distinguishes between a leader and a follower.”—Steve Jobs

AIRROC presented the 2021 Person of the Year Award to Glen Mulready, Commissioner of Insurance for the State of Oklahoma. His “work advocating for a new era of runoff opportunities in the United States has been unmatched,” said Robert Redpath, Senior VP and US legal Director at Enstar (US). Mulready’s role in completing the first two successful multi-million dollar Insurance Business Transfers (“IBTs”) in the country put Oklahoma on the forefront of IBTs.

While Oklahoma did not invent this process, their statute is broader than those enacted in other states that have IBT laws, namely Rhode Island and Arkansas. Oklahoma’s process closely mirrors Part VII transfers authorized under the UK Financial Services and Markets Act of 2000. Part VII transfers in the UK are a well recognized, cost effective way to move a portfolio of business. As stated on the Oklahoma Insurance Department website, the statute “provides the transferring and assuming companies with an efficient and straightforward transfer process while also providing the legal finality that has not yet been available in the United States.”

This favorable venue for insurance companies was the result of Commissioner Mulready’s extensive background in the industry as well as his leadership in driving innovation and getting results. After a successful 25-plus years in the industry, he moved to the political sphere as a state representative where he became chairman of the Oklahoma State Insurance Committee after the 2014 elections and the Majority Floor Leader in 2017. His combination of knowledge and innovative enthusiasm set the stage in creating a problem solving atmosphere in Oklahoma, improving the business climate for insurance companies, and expanding insurance options for citizens of the



Carolyn Fahey and Glenn Mulready

Commissioner Mulready noted that Oklahoma welcomed the opportunity to be an innovator in the runoff space, and raise its profile as an insurance center, making it well positioned to collaborate with the runoff sector on the law.

state. In addition to spearheading the legislation and shepherding the first two IBTs across the finishing line in his last two years as Commissioner, “He has traveled to many AIRROC and other industry events ... always bringing wisdom and lending credibility to runoff,” remarked Carolyn Fahey, AIRROC Executive Director, during the award presentation. In 2019, he was the first U.S. Insurance Commissioner to speak at IRLA, the UK and European legacy association.

In accepting the award, Commissioner Mulready noted that Oklahoma

welcomed the opportunity to be an innovator in the runoff space, and raise its profile as an insurance center, making it well positioned to collaborate with the runoff sector on the law. He credited a stellar team in bringing the IBT law to fruition that included his predecessor, Former Commissioner John Doak, current Oklahoma Deputy Commissioner and Chief Actuary Andy Schallhorn, as well as John Sparks of Odom & Sparks who was a state senator at the time the bill was passed and a co-sponsor. He expressed gratitude to AIRROC for help in educating regulators on the opportunities presented by runoff business, and predicted that the expeditious accomplishment of the first two IBT transactions would establish excellent momentum going forward.

AIRROC hopes to include a more extensive profile of Commissioner Mulready in a future issue of *AIRROC Update*. ●

Connie O’Mara, connie@cdomaraconsulting.com

Congratulations to 2021 Recipient Oumou Tounkara

AIRROC Awards 10th Annual Trish Getty Scholarship



Carolyn Fahey, Ed Gibney, Oumou Tounkara, Matt DiSanto and Jessica Groenewegen

AIRROC, in conjunction with the NextGen Task Force, is excited to present the Trish Getty Scholarship to Oumou Tounkara. While the scholarship had significant interest from many students aspiring to enter the insurance industry, Oumou stood out for her excellent academic performance, leadership and involvement in numerous extracurriculars.

Oumou is currently a senior at Saint Joseph’s University in Philadelphia. She will graduate in December, 2022 with a B.S. in Business Administration, and is pursuing majors in Risk Management and Insurance, and Business Intelligence and Analytics, with a minor in Data Science. She has excelled in these academic pursuits while developing strong insurance business knowledge as well as a focus on the cutting edge analytical skills needed for the future of our industry.

Oumou embodies the principles of the next generation of insurance

Oumou stood out for her excellent academic performance, leadership and involvement in numerous extracurriculars...

practitioners. She has a global perspective, born and raised in Guinea and is studying in the U.S. She speaks four languages, and that’s not even considering the programming languages! Oumou made a compelling case for this scholarship by connecting the value of insurance to the plights of the many small businesses in Guinea. As industry practitioners we can sometimes get lost in the performance metrics and yearly business cycles, and lose sight of the ultimate goal and value that insurance provides society. It is special to see the young talent entering the industry making this connection, and holding it as a key factor in choosing this great industry for a career.

Beyond academics, Oumou is a leader on many fronts. She is the vice president of Diversity and Inclusion for the business honor society, *Beta Gamma Sigma*. She is the vice president of Public Relations for *Gamma Lota Sigma*, and she has held industry positions at AMWINS as an associate account manager, and finally, she has interned at IFG companies as an underwriting analyst.

Established in 2012, the \$5,000 annual scholarship is in honor of Trish Getty, the founding Executive Director of AIRROC, to reward exceptional undergraduate students studying insurance, risk management or actuarial science. As part of the application process, students are required to submit an essay, and a subcommittee of AIRROC board members selects the winning recipient. AIRROC is truly impressed by Oumou, and can’t wait to see what she does in the insurance industry. ●

Grant Donkervoet, grant.donkervoet@gmail.com



Matt DiSanto



Sunny Liu



Anthony D'Ambrosio



Kathryn Reynolds



Nathan Zwick



Jessica Groenewegen



Grant Donkervoet

A Younger View of an Older Year

Sunny Liu

NextGen Task Force Corner: 2021 Year In Review

AIRROC's NextGen Task Force has quite a few accomplishments in 2021 to celebrate. We kicked off the year with specific goals in mind: to create more educational content geared towards young professionals; to build a digital presence; to expand our reach via university relations; and to gain more traction by participating in AIRROC events.

Although the goals sounded ambitious, the NextGen Task Force was able to deliver and bring them to fruition by working as a tight, cohesive group under a new, three-committee structure that allowed greater flexibility and efficiency. Thanks to the support of AIRROC, we are proud to share our achievements this year.

AIRROC's *The Legacy Life*

The NextGen Task Force successfully launched the podcast series, "The Legacy Life," as part of our outreach and educational goals for 2021. The podcast was designed to expose young professionals to different careers in the legacy space, and to generate a discussion about how to attract more young talent to the insurance industry and legacy in particular. Season One wrapped up after seven episodes in early December. Host Katie Reynolds, a Task Force member, interviewed industry professionals about their careers, how

they got their start, and what they enjoy about their work. Guests also offered advice to young professionals and shared their thoughts on what to do about the growing talent gap in the legacy space. At the time of this article's publication, the podcast has been downloaded more than 775 times, and has reached audiences across four continents. Approximately 75% of the podcast listeners are in North America and 23% are in Europe.

The Task Force would like to thank the following guests for sharing their stories, and for inspiring the next generation of legacy (re)insurance professionals:

Episode 1: Peter Scarpato, formerly Senior Collections Officer of Ceded Reinsurance at ACE Brandywine

Episode 2: Paul Corver, Head of Legacy M&A at R&Q

Episode 3: Marcus Doran, Senior Director of Commutations and Reinsurance Finance at AIG

Episode 4: Bill Bouvier, Director of Assumed Reinsurance at RiverStone

Episode 5: Leah Spivey, Head of Claims Runoff Solutions at Munich Re

Episode 6: Rich Seelinger, CEO and Chief Claims Officer of Enstar US

Episode 7: Andrew Rothseid, Partner and Head of Legacy Solutions at Gallagher Re
We have already started recording Season Two of "The Legacy Life" and look forward to sharing the stories

from more professionals in the legacy space. If you missed an episode, check us out at AIRROC's The Legacy Life (buzzsprout.com) or subscribe today on Apple Podcasts, Google Podcasts, Stitcher or Spotify.



Digital Presence

The NextGen Communications Committee – Sunny Liu, Anthony D'Ambrosio, and Natalie Weedman – started out the year with the goal to grow the digital presence of the NextGen Task Force. We re-invigorated NextGen's LinkedIn accounts with more frequent updates, creation of original contents, and active engagement management of our connections. As of December 2021, we had over 70 connections and followers to our accounts, a ten times growth compared to the beginning of the year. Our LinkedIn page directs considerable

traffic to "The Legacy Life," significantly expanding the reach of the podcast. In addition, we have a regular feature in the *AIRROC Update* newsletter entitled, NextGen Corner in which we penned eight articles charting our progress along the year. Our expanding network and influence were made possible thanks to the support and promotion by AIRROC and AIRROC member companies, as well as by our peers across the ocean, IRLA's Young Professionals Group. Going into 2022, we see a lot more opportunities to better engage our connections and to continue the growth momentum. While striving to increase our network and followers, it is not just quantity but the quality of our engagement. Follow us today on LinkedIn @AIRROC NextGen Task Force.

AIRROC Scholarship

2021 marked the tenth anniversary of AIRROC's Trish Getty Scholarship. It was also the first year that the scholarship was presented in conjunction with the NextGen Task Force. NextGen members Grant Donkervoet, Jessica Groenewegen, Nate Zwick, and Matt DiSanto worked closely with AIRROC in reviewing applications and the selection process this year. At the AIRROC October forum, Matt and Jessica represented NextGen during the award ceremony. Be sure to check out Grant's article in this magazine and online regarding the 2021 scholarship recipient, Oumou Tounkara.

Going into 2022, we see a lot more opportunities to better engage our connections and to continue the growth momentum.

Educational Events/Webinars

With the assistance of AIRROC's Education Committee and our member companies, the Task Force had been busy organizing and co-sponsoring educational events, including:

- **2020 Runoff Deals – The Year in Review – February 2021**
- **The Evolving Role of Actuaries and Claims Professionals - April 2021**
- **Virtual Arbitration Workshop – September 2021**

The Task Force would like to thank our panelists, AIRROC's Education Committee and Carolyn Fahey for making the above events possible. Video replays of these programs are available in the AIRROC On Demand library. We have a lot more in store for 2022! Our first educational event for the New Year is our joint webinar with IRLA's Young Professionals Group on January 26, 2022. ●

Sunny (Simin) Liu is a co-chair of AIRROC NextGen Task Force Communications Committee. She is a Senior Portfolio Actuary at Swiss Re. Sunny is also a Fellow of Casualty Actuarial Society (FCAS) and holds a Master of Science Degree in Operations Research from Northeastern University. nextgentf.airroc@gmail.com

AIRROC NEXTGEN Task Force

Mission

The AIRROC NextGen Task Force works in conjunction with the AIRROC Board of Directors and Executive Director to explore ways to transfer knowledge about legacy, engage with and provide networking and educational opportunities for the next generation of legacy industry and AIRROC association leaders.

Who are we?

The AIRROC NextGen Task Force is a group of young professionals in the (re)insurance industry working to connect with other members in the industry. The task force creates intercompany relationships through holding and facilitating educational sessions, networking events, and career development opportunities. Our members come from diverse backgrounds, disciplines, and functional areas; we aim to create an inclusive environment to sharing and learning in the run-off and (re)insurance market.

Individuals and Roles

Anthony D'Ambrosio *Assumed Reinsurance Account Manager, R&Q Solutions LLC*

Matt DiSanto *Associate Director, Aon Reinsurance Capital Advisory*

Grant Donkervoet *Analytics Lead, Vice President US Casualty, Swiss Re*

Jessica Groenewegen *Associate Legacy Broker, TigerRisk Partners*

Sunny Liu *Senior Portfolio Actuary, Swiss Re*

Kathryn Reynolds *Reinsurance Consultant, The Hartford*

Nathan Zwick *Assumed Reinsurance Claims Manager, The Hartford*

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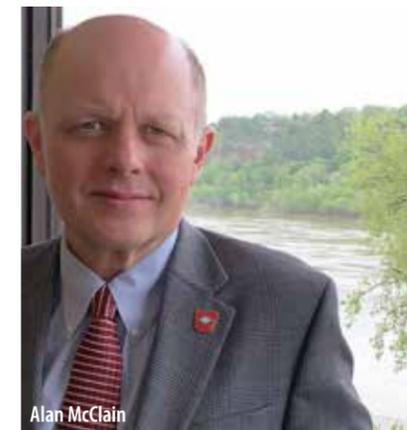
The choice of a lawyer is an important decision and should not be based solely upon advertisements.

Genuine Progress from the “Natural State”

Alan McClain

Arkansas Lauds New Insurance Business Transfer Law

Earlier in 2021, Arkansas adopted the Insurance Business Transfer (“IBT”) Act. The law provides insurance companies an organized and efficient process to transfer blocks of insurance business from any jurisdiction to another insurance company in Arkansas, benefiting insurers seeking to restructure and improve operational efficiency, and ultimately creating a unique opportunity for Arkansas to attract new business to the state.



Alan McClain

Arkansas became one of the first U.S. states to embrace IBTs under a structure that closely mimics “Part VII” transfers authorized under the UK Financial Services and Markets Act of 2000, putting Arkansas at the forefront of such transactions.

Several states have enacted legislation to permit a similar type of transaction known as a “division” in which, unlike an IBT, an insurer divides into two or more insurance companies and, depending on the state, isolated blocks of business are then created which can be sold off to interested buyers. Because the business is not transferred, court approval is not required. Divisions can be primarily distinguished from IBTs in that, following a division, the same company owns the newly divided company.

Arkansas’s IBT law was based on the NCOIL Model and became effective in late July of 2021. The finalized legislation required that the Arkansas Insurance Commissioner promulgate rules necessary for proper implementation of the law. Finalized AID Rule 126 was promulgated in early December to provide standards and procedures for the IBT transaction. The rule became effective on January 1, 2022.

The Arkansas Insurance Department (“AID”) was not a passive observer as the Arkansas Legislature considered and ultimately passed the IBT Act during the 2021 Legislative Session. AID

was committed to working closely with bill sponsor Senator Jason Rapert of Conway, as well as various stakeholders. Arkansas did make a few concessions to stakeholders who objected to the proposed law during the legislative process. To reach consensus, AID agreed to add additional considerations in the rule to ease the concerns.

“We expect the IBT to bring tremendous opportunities to Arkansas—more jobs to the state, more options for consumers, and a more competitive environment for insurers.”

Initial opposition from various stakeholders, including the American Council of Life Insurers, the Arkansas Independent Agents Association (“Big I”), and guaranty fund associations, shared common themes that could be broken into three main categories:

1) Risks to guaranty funds in a transfer where the assuming insurer is not licensed in each state the transferring insurer is, resulting in Arkansas guaranty funds picking up liability for orphan policyholders in other states following the transfer;

2) Conferring the authority that is currently vested in the state insurance commissioner onto circuit courts; and,

3) Not providing party status to potentially impacted companies to the proceeding.

AID was able to address the concerns and ultimately reach consensus among the interested parties, and will bring the same level of commitment to the implementation process. The Insurance Department promises to provide the dedicated staff the resources necessary for each IBT application to be thoroughly and expeditiously reviewed.

IBTs create significant flexibility and financial security for companies, help pacify uncertainty, reduce administrative costs, and simplify regulation. An IBT can connect policyholders with a company that better understands their policy and the coverage it provides. Arkansas’s IBT law applies to life, health, property, and casualty liabilities, and is open to both run-off and active books of business.

“This is an exciting accomplishment for our state,” Arkansas Insurance Commissioner Alan McClain said. “We expect the IBT to bring tremendous opportunities to Arkansas—more jobs to the state, more options for consumers, and a more competitive environment for insurers.”

The Arkansas Insurance Department is fortunate to have an experienced and skilled team of financial examiners and analysts who work daily to make sure that the insurance companies in Arkansas are financially sound. With an open-door policy, AID encourages and welcomes new business to Arkansas and takes pride in maintaining close working relationships with companies through its consistent approachability, transparency, and fairness. In 2020, this activity represented over \$17 billion in premiums written by carriers in the state. ●

If you are interested in learning more about Arkansas’s IBT Law, contact the Arkansas Insurance Department Finance Division at 501-371-2665 and/or email insurance.finance@arkansas.gov.

Alan McClain was appointed as Arkansas’s 24th Insurance Commissioner by Governor Asa Hutchinson in April of 2020.

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IBT's and Divisions – News and Noteworthy Developments

One of the highlights of the 2021 Transactions & Networking Forum was the presentation by industry leaders and experts on the current legal and regulatory landscape affecting the Insurance Business Transfer (“IBT”) and Division space.

Jonathan Bank, Of Counsel, Locke Lord LLP, chaired the panel of state regulators, stakeholders, and experienced professionals who discussed recent developments and shared their views of such tools and frameworks for addressing legacy books. A video replay of this presentation is available on AIRROC On Demand.

The presentation started with an update by Al Bottalico, a former Deputy Commissioner of the California Insurance Department, now an Insurance Specialist with Locke Lord LLP, on the NAIC’s progress and long awaited White Paper on insurance company restructurings, namely IBTs and Corporate Divisions. The Restructuring Mechanisms (E) Working Group tasked with the development of consistent statutory approaches and best practices has issued a draft of the White Paper. The White Paper will begin the process of establishing the necessary guidance, and will include recommendations on written standards that will be needed in order to increase familiarity and confidence in IBT transactions by regulators before there can be widespread acceptance among regulators. The guidance will also likely generate referrals to other NAIC working groups. One concern raised was the potential use of IBTs on long term care insurance (“LTCI”). The Restructuring Working Group has recognized that LTCI blocks may be too complicated, and present unique issues so a separate subgroup was established in conjunction with the Long Term Care Insurance Task Force to review those issues and make

separate recommendations. Al shared his view that over the next 12 to 18 months there will likely be a lot more activity by state regulators in this space.

Robert Redpath, Senior VP and US Legal Director at Enstar (US), added his view that it is important that the industry lead in establishing uniform standards with robust procedures. Enstar decided not to wait for the NAIC guidance and instead believed that the only way to move the needle forward with respect to IBTs in the U.S. was to proceed. In other words, move from theory to practice. Enstar worked closely with the Oklahoma Department; there was a learning curve

The key takeaway is that concerns are greatly reduced in the IBT process in the U.S. if you do your due diligence and follow the procedures with a properly vetted transaction.

for everyone involved in this first-of-its-kind transaction in a court-managed process. Although it was an internal group transaction between Providence Washington Insurance Company and Yosemite Insurance Company—one Enstar entity to another Enstar entity—it was a very complex book with a full spectrum and wide range of business, including long-tail business dating back 50 years. Despite the hurdles in breaking trail, the Enstar plan received no objections. The key takeaway is that concerns are greatly reduced in the IBT process in the U.S. if you do your due diligence and follow the procedures with a properly vetted transaction.

The key takeaway is that concerns are greatly reduced in the IBT process in the U.S. if you do your due diligence and follow the procedures with a properly vetted transaction.

In retrospect, one area the system can be tweaked is the communications plan. The Oklahoma regulators and court

were intently interested in ensuring appropriate notice to a large number of potentially affected policyholders. Ensuring due process to those having an interest in the transaction being the key element. Enstar was overly cautious and notified over 60,000 former policyholders, not only once but twice. In reality, the process was excessively broad and time consuming given that very few comments were received, and no objections were filed. The salient point is to work with the regulators to strike a balance in identifying relevant parties who could have an interest so that the administrative burdens do not kill the process and outweigh the goals.

The final chapter in the Enstar IBT transaction is that it recently closed on the sale of Providence Washington Insurance Company as a clean shell. Robert walked us through the benefit to old policyholders of the IBT mechanisms in cleaning out the shell versus the classic shell sale transaction using a LPT structure.

The next presenter was David Presley, Senior Legacy Origination Manager, Swiss Re, who noted that legal finality is the objective but nonetheless recognizes that the market and regulators need time to develop standards and a comfort level with IBT transactions. He concurred with Robert’s comments that we need more of the right deals done the right way. These first few deals have been completed without controversy and have encountered very little push back. Swiss Re is focused on identifying the right transaction for an IBT, and doing it the right way. The mature long-tail book of business is a perfect candidate for these types of transactions because of the greater degree of actuarial certainty. Financial transparency is paramount which underscores the need for robust independent expert reports. While the IBT framework provides more procedural safeguards, such as court approval, independent expert reports and consent from the transfer

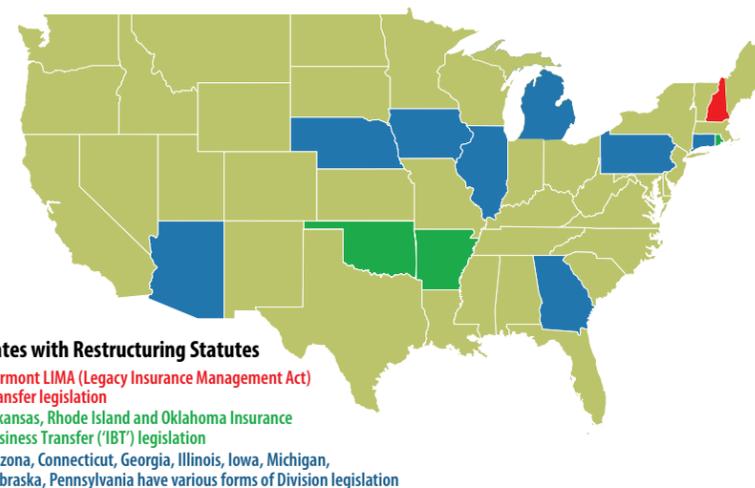
jurisdiction, both IBTs and Divisions provide insurers with additional tools to work toward finality.

Kevin Fry, Chief Operating Officer of the Illinois Department of Insurance spoke about the Division Law passed in 2018. The legislation was an industry driven initiative in which the Department was neutral but once introduced, the

Early engagement and collaboration with regulators can be vital in terms of avoiding future pitfalls. A lot of work, which can be shielded as confidential, can take place in advance of filing. Use of outside consultants and legal expertise is another essential element. With the Allstate plans of Division, the Department hired a project

Division was a case of first impression and the Department was very keen to do a comprehensive and thorough job.

The presentation ended with the panelists taking audience questions. Most of the questions focused on details of the Enstar and Allstate transactions. A member of the audience, Russ Galbraith, Chief Deputy Commissioner of the Arkansas Insurance Department, noted that last spring, Arkansas joined the handful of U.S. states in adopting an IBT law. He also announced that the Arkansas Department just promulgated rules necessary for implementation of the IBT Act that became effective January 1, 2022. There was some skepticism expressed by the audience as to whether the NAIC White Paper will open the floodgates to other states enacting IBT or Division legislation. The point was made you do not need all 50 states to adopt the IBT or Division Model Act but rather just one platform. The guidance will be the glue that gives regulators from other states confidence that the states engaged in these transactions are following the prescribed process. The industry must jump in and promote the IBT and Division structures to obtain buy-in from regulators. There is a growing momentum for these transactions in a market that is looking for restructuring options. ●



Department added their safeguards. Kevin walked us through the major criteria that the Department looks at when reviewing plans of Division. The overarching criterion, of course, is to ensure protection to policyholders and claimants. Most of the other requirements are qualitative, such as: (1) the companies must be properly licensed, (2) they must be members of guarantee associations, (3) the Division does not violate the Uniform Fraudulent Transfer Act, (4) that it is not being made for purposes of hindering, delaying or defrauding policyholders or other creditors; (5) the companies must be solvent; and (6) the remaining assets will not be unreasonably small in relation to liabilities.

Kevin outlined the keys to success for a Division transaction. Number one is to approach the Department early in the process; well before filing the plan.

manager and outside counsel. Financial experts, actuarial and capital adequacy consultants were also crucial. In addition, the Department itself must have internal staff that has the expertise to review and understand the outside reports and take all of the various pieces of information to come to the right conclusion. Communication with other regulators is important as well. The Allstate transaction involved only one other state –Michigan. The Michigan regulators were made aware of the situation early on and there was an open dialog throughout the process so that they were comfortable.

As far as lessons learned, the communication piece plays a major role and the financial solvency part is paramount. The importance of selecting the right hearing officer is also critical. A retired Judge served as the hearing officer in the Allstate transaction. The Allstate



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The Noble Yet Unfinished Task

Embedding Racial Equity in the Insurance Industry

Randi Elias



“Talent is evenly distributed. Opportunities are not.” — Brett Carter

Illustration / Rafael Edwards

On April 21, 2021, AIRROC was thrilled to host a webinar during which a panel of experts in the field of diversity, equity and inclusion (“DEI”) convened for a frank discussion on racial equity in the insurance industry.

The panelists were Brett Carter, MBA, a Managing Director for The Jacobson Group’s executive search team, Ivy Kusinga, the Chief Culture Officer at Chubb, and Dr. Leroy Nunery II, M.B.A., Ed.D., the founder of PlusUltré LLC. The panel was moderated by Randi Elias, formerly with Porter Wright Morris & Arthur LLP, now Director of Client Advocacy and Coverage at Aon Reinsurance Services. The following are excerpts from the hour-long discussion; we encourage everyone to read the full transcript at: <https://www.airrocupdate.org/embedding-racial-equity-in-the-insurance-industry>. You can also watch a video replay of this session in the AIRROC On Demand platform.

On systemic factors

Dr. Nunery: The industry is populated 12.4% by African Americans, and then lesser percentages for Asian Americans, Latinos, and Hispanics. The problem is if you go back 10 years, when Barack Obama was president, that representation for African Americans was only 9%. Now 9% to 12% sounds like growth, but that was over 10 years in a booming economy. So those [Bureau of Labor Statistics]

There needs to be a plan. There needs to be development for that talent so you can see movement and progression among careers...

—Brett Carter

numbers never really addressed where are these people being hired? In what jobs? Why is it when I look across the C-suite and the next rung down that it still looks a lot like it did back in the 40’s and 50’s and so on. So some people don’t have the code. They don’t know how to dial in to get up the ladder, or they’re not given a code at all, or they’re hired to make sure that the picture looks replete with every-

body that we think we need to have in . . . But that’s not really inclusion. And that’s not real equity. It might be diversity, but it may not be those other two elements.

Ms. Kusinga: You’ll find that actually, most people of color, Black or brown, are represented disproportionately in lower level roles . . . So this ability to get the right tacit knowledge matters because —let’s be frank—performance is one layer of what advances somebody . . . I think all organizations would accept that excellence is going to be your price of entry. But I do think we need to be very honest, that beyond excellence, there are other variables at play. Affiliation is a big variable at play because if somebody knows you, then you have more visibility. Your name is tabled more continually. If somebody knows you, you’re pulled into informal settings. And most Black people, most people of color, are often on the fringes of those relationships. Those relationships don’t come naturally to them. That’s not to say all white people have that, but you can see when we look at the studies, disproportionately, you can actually see the impact of a lack of affiliation playing out.

Mr. Carter: Talent is evenly distributed. Opportunities are not. It’s not enough to just bring diverse talent into the organization. There needs to be a plan. There needs to be development for that talent so you can see movement and progression among careers . . . there needs to be more thought—intentional thought—around the development of talent once you bring that talent into your organization.

On sponsorships and mentorships

Dr. Nunery: For many people who are in the underrepresented categories, however, obtaining a mentor, or particularly a sponsor, somebody who is senior who will actually vouch for you, is a much more difficult task. That’s where ERGs can come in. That’s where associations, whether the Latin American Insurance Agents Association or NAAIA [the National African American Insurance Association] and others can help provide that panoramic multi-dimensional access. You can meet folks from different slices of the industry . . . You can’t just again, dial a number and find a sponsor. So we need more sensitivity, empathy, but also managers who are aware enough that they’ve got talent within their own ranks that they don’t fully appreciate . . .

Sponsorship is about somebody who has influence in an organization and can really make your career move by putting their political capital behind you, particularly when you’re not in a room.

— Ivy Kusinga

Mr. Carter: The sponsorship and mentorship does not need to just be with someone who looks like you. It absolutely needs to be with people who don’t look like you, who have different perspectives and different experiences and different influence within the organization . . . how we organically build these relationships and build these connections and the opportunity for these connections is really important. It needs to be intentional and something that, as much as it’s driven by the individual, needs to be a priority for leadership as well, if you want to really have change going forward.

Ms. Kusinga: You are your best advocate. You need to be relentless about your career. You seek that sponsorship, you find that mentor, and obviously talk to others to get advice. I think something that takes away power from people is

when people are just waiting for programs . . . The other thing I would say about sponsorship: not all sponsors are created equal . . . Because a sponsor needs to have enough influence in your business, in your function, in your company. Sponsorship is about somebody who has influence in an organization and can really make your career move by putting their political capital behind you, particularly when you’re not in a room.

On the role of chief diversity officers

Ms. Kusinga: Diversity, equity and inclusion work cannot be delegated to only chief diversity officers as their sole responsibility. This is fundamentally a leadership duty. This is fundamentally a collective duty . . . Leaders ought to have a point of view; they ought to have action in their toolkits as to what they’re doing . . . In the absence of that, I think you have the reality of what we have is a very high burn out role, so chief diversity officers burnout more than any other role. They have one of the highest levels of attrition. The reality is if you’re just parking all this stuff, hoping that your chief diversity officer is going to solve everything, that’s a fool’s errand.



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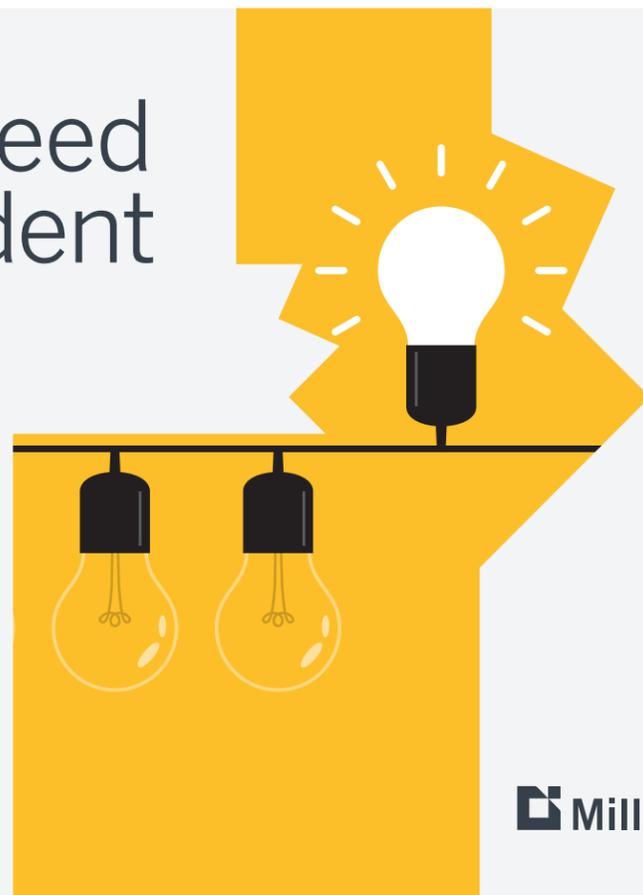
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Embedding Racial Equity (continued)

On how companies can implement initiatives

Mr. Carter: I don't think enough of us within our industry have really honestly embraced and accepted that this is a problem that needs to be addressed and prioritized appropriately. Until we do, there will continue to be a lot of performative efforts made where we put in an ERG or system or create a committee, but don't give that committee the authority and the resources to get off the ground. Or, we shift all of our responsibility in this area to a chief diversity officer, or some other similarly titled role, and then expect that individual to get it done. And when they don't, when they're not successful, then we just say, hey, "Well, we tried, let's move on to the next thing." We wouldn't approach any other problem within our business this way, and we should try not to do that here. Until we really get honest about that as organizations, the real transformation is going to be slow to come.

Ms. Kusinga: I do think it also begs reflection that this is the first time that we're talking about race and racism in an honest way. . . So suddenly, we were leaping from, by the way, let's talk about it to, by the way, we should have done something about this. There really needs to be some patience with which we tackle some of this stuff, if we're going to do it honestly, and if we're going to do it fundamentally. First of all, the perspective that I bring is that organizations have the cosmetic nature of who they are. . . Then I think there's what I'm going to call the plumbing, the hard wiring of an organization is that recruitment funnel, is that manager allocation. It's who gets stretch assignments. It's your succession planning process. It's your talent assessment process . . . Often in diversity, equity and inclusion work, you focus on the performative . . . until you deal with the hard wiring of an organization, the plumbing of an organization, I do think some of these efforts over time actually become futile.

On accountability

Dr. Nunery: The fact is that the frameworks that can bring accountability in are not that different than any other performative and/or expectational situation. We lay out profit margins or revenue growth targets. Why is it not also important to say, we are looking at you not just to have a diverse slate of candidates, but we also want to see when we do a cultural audit or when we do some type of DEI audit, how your employees are feeling. Do they feel they belong more? Are they able to come to you? . . . I think it's more about having the mindset, what is it that management

I think people can spin more than one plate at a time, they've just never been asked to, and they've never been measured.

—Leroy Nunery

within an organization expects? And why is it that they don't expect good people development at the same time they expect market development or revenue development or cost constraints? I think people can spin more than one plate at a time, they've just never been asked to, and they've never been measured.

On how people of color have achieved success

Dr. Nunery: In *The Journey of African-American Insurance Professionals*, (Marsh, Diversity & Inclusion (September 2018)), I interviewed a little over two dozen seasoned individuals, 10 years of experience at least and more. Since that time, three plus years, I've talked to dozens more. They each have individual stories. If I could summarize them, they would say that as they climb, they were further isolated, i.e., fewer individuals around them who "look like them." . . . And that often as they got more opportunity . . . they realized that a lot of what they were doing wasn't putting their womanness, their Blackness, their Muslimness (I know that's not a word) on the shelf, but they weren't making that the reason

why they were there. It was really about their competence to run the business. We've always had this invisible man, invisible woman feeling, this duality, this sense of having at least three or four different languages . . . Part of the challenge is building folks up enough that they can sustain the onslaught of microaggressions.

Ms. Kusinga: [I]t's the psychological safety – or lack of safety – that you experience as a Black person, or as a person that's often outnumbered, and what that does to you, frankly, what that does to your psyche, what that does to your performance. One of the things to me that has made a difference is you have to have a very good personal life. Because if you can't count on that kind of openness at work, then you better get it in your personal life . . . The other area that I think probably needs to be studied is this idea of being constrained. I think one of the things that is very coded in Black achievement is managing your emotions very carefully, recognizing that what you do say and how you do and say it often has a very different grade than your peer. So this level of constraint – which by the way, is not healthy, to be honest – but it really is part of the experience that we have in trying to navigate these very outnumbered waters that we find ourselves swimming in all the time.

Mr. Carter: It really helps to have a strong network. You can join organizations and groups, get connected with similar people or like-minded people. . . I don't think you can ever have too many mentors or sponsors, and I think you really need to take advantage of that. Keep a growth mindset. We're not fixed. We don't just stay in one place. Be open to opportunities. Be open to ideas and to learning and growing every day and in every conversation that you have. Allow that to drive how you contribute to the organization and add value. Because when we really tap into that, we're in control. We have a lot more control than we think we do over where we take our journey. ●

Randi Elias, J.D., Director of Client Advocacy and Coverage at Aon Reinsurance Services. Desk 312-348-5133, Mobile 312-823-8243, randi.ellias@aon.com

Allstate files the first Division Plans in Illinois

On February 2, 2021 Allstate Insurance Company filed the first plans of division in the U.S. market to restructure its insurance operations representing a significant step forward for the insurance industry to expand the application of restructuring mechanisms (“Division Transaction”).

The Allstate plans of division were filed with the Illinois Department of Insurance (the “Department”) pursuant to the Illinois Domestic Stock Company Division Law, 215 ILCS 5/156-5/172 (“Division Law”). The Division Law, passed by the Illinois General Assembly in 2018, permits insurers to divide and legally separate specified businesses into newly formed insurers with the assets and liabilities associated with that specified business becoming the property and legal obligations, respectively, of the new companies by operation of law. The Division Law enables insurers to allocate assets and liabilities for a host of purposes, including exiting one line of business to focus on another, promoting efficiency and effectiveness in managing run-off blocks of in-force policies, and enabling more efficient capital allocation within an insurance group. Illinois is one of a number of states to have passed a similar division law.

The Allstate Division Transaction involved eight insurance company subsidiaries under the Allstate, Esurance, and Encompass brands, (the “Dividing Companies”) with each filing a plan of division with the Illinois Director of Insurance (“Director”). The eight plans of division sought to allocate certain portions of each company’s

inactive Michigan automobile insurance business (the “Specified Policies”) to eight (8) new insurance companies created in the division process (“New Companies”).

Immediately following the divisions, the eight New Companies merged into three newly formed Illinois domestic insurers pursuant to the Illinois Merger Law, so that there was one surviving insurer for each of the Allstate, Esurance and Encompass brands (the “Merger Companies”). Following the mergers, all the assets, liabilities, contracts, and required surplus associated with the Specified Policies allocated to the New Companies pass by operation of law to the Merger Companies. Upon the closing of the Division Transaction, the

The Department’s review focused on policyholder and claimant protection and prudent financial analyses.

Merger Companies are wholly owned, indirect subsidiaries of Allstate, which is the ultimate controlling person of each of the Merger Companies.

On the following page is a chart that shows the various steps of Allstate’s Division Transaction.

The stated purpose of Allstate’s Division Transaction is to allow the Dividing Companies to more efficiently allocate capital between Allstate’s inactive Michigan auto business and its active Michigan auto business, thereby improving Allstate’s competitiveness in the Michigan automobile insurance market, while maintaining sufficient reserves and capital and its high level of service for all policyholders and claimants. Also, in 2019, the state of Michigan passed legislation reforming the state’s personal injury protection (“PIP”) mandate, thus affecting

Michigan automobile coverage, including the Specified Policies. The reforms eliminated the state-mandated, unlimited PIP coverage. As a result, the Proposed Restructuring enabled Allstate to separate inactive policies that were effective before the PIP reform from the prospective active Michigan automobile policies.

Allstate began working on the Division Transaction in 2019. Early engagement with the Department was key to a successful transaction. Allstate worked closely with the Department providing detailed information regarding the business to be divided, the assets to be allocated to support the business, how the companies were to be capitalized, and how policyholder considerations were to be addressed. All parties worked together to complete the project and obtain necessary approvals within Allstate’s requested timeline.

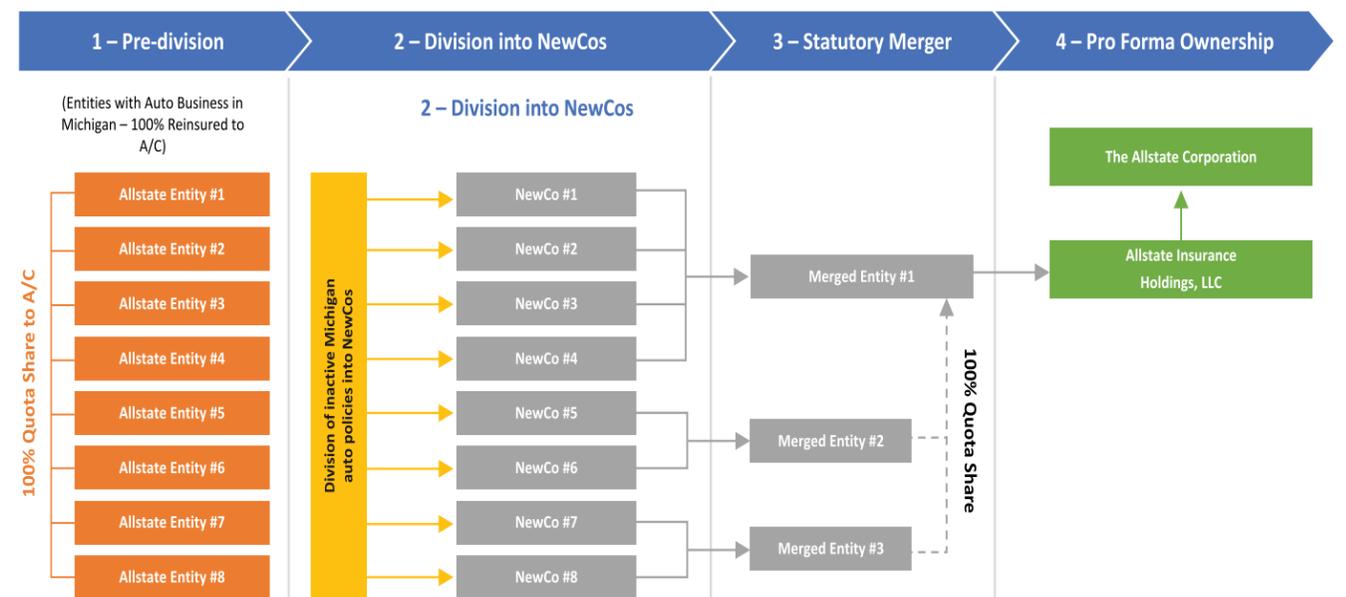
The Department’s review focused on policyholder and claimant protection and prudent financial analyses. The key areas considered under the financial evaluation scope included:

- Capital adequacy
- Loss reserves
- Financial modelling and projections

The Illinois Department engaged the author as Project Manager who had the experience in restructuring legislation to manage the project to completion. The Department also engaged Stephen Schwab and Carl Poedtke of DLA Piper as outside counsel. To support the financial review, the Department retained Risk & Regulatory Consulting (“RRC”) as its independent actuarial consultant to focus on reserves and capital. RRC conducted an independent reserve analysis and evaluated the initial capital levels of the Merger Companies.

Allstate conducted its own internal analysis to determine the capital

Allstate Multi-company Division Transaction Division Flow Chart



adequacy of the Merger Companies. Allstate utilized several tools and methodologies, including: (1) Allstate’s estimate of required capital using A.M. Best’s BCAR framework; (2) the NAIC RBC ratio; and (3) a peer company review.

In addition to Allstate’s internal analyses, Allstate retained outside consultants including A.M. Best, a rating agency, to provide an independent rating analysis and a preliminary credit assessment for the Merger Company group. Allstate also retained Lazard, a financial advisory and asset management firm, to analyze the capital adequacy of the Merger Companies. As part of its mandate, Lazard was charged with preparing a report analyzing the business and financial condition of the Merger Companies and assessing this information against certain financial aspects of the Division Law’s requirements. Specifically, Lazard analyzed pro forma financial metrics as

provided by Allstate. Lazard also performed a peer benchmarking analysis, comparing key pro forma financial metrics of the Merger

On March 19, 2021, based on the Hearing Officer’s Findings of Fact and Conclusions of Law, the Director issued an order approving the eight plans of division.

Companies to public information regarding selected comparable companies. After consideration of all findings presented, the Department concluded that the initial capital levels were reasonable.

The Division Law only requires a hearing if the Director deems it to be in the public interest or if requested by the Dividing Company. Allstate requested a public hearing because of

the significance of this being the first division transaction undertaken in the United States and Allstate’s desire for transparency. Allstate’s division plans included a Communication Plan that provided notice to affected policyholders, guaranty funds, the Michigan regulator and other relevant stakeholders.

In addition, the Dividing Companies provided broad public notice through ads published twice in each of The Chicago Tribune and The Detroit Free Press. The IL DOI closely reviewed and approved the Communication Plan and the notice of hearing that was provided to the affected policyholders and claimants, and other stakeholders. In addition, the Hearing Officer, Judge Mary Anne Mason (ret.), reviewed and provided comments on the notice of hearing. The hearing was held virtually by Zoom and provided the opportunity for any person to submit a comment

From the Front Lines (continued)

or intervene in the proceedings. Any interested person was able to attend the hearing via a Zoom link.

On March 19, 2021, based on the Hearing Officer's Findings of Fact and Conclusions of Law, the Director issued an order approving the eight plans of division. The approvals of Allstate's division plans follow closely on the heels of the approval of an Insurance Business Transfer (IBT) Plan in the Oklahoma District Court. These two transactions mark the beginning of what industry specialists believe is a new era in restructuring options available to insurance companies to more efficiently restructure their business to achieve capital, operational and administrative efficiencies. While there are differences between the Division and IBT legislation, both mechanisms allow companies to more easily segregate portfolios of business within and outside

of the corporate group. A common thread underlying both the IBT and the division is the rigorous regulatory review to ensure protection of consumers.

Allstate's Proposed Restructuring is a landmark transaction for the insurance industry to successfully implement the Illinois Division legislation in a complex transaction structure. Most importantly, the Division Transaction was achieved by Allstate and the Illinois Department working together with their consultants and representatives to put forth a transaction structure that allowed Allstate to accomplish its corporate objectives and better position itself for the future while ensuring that the interests of policyholders and claimants were properly protected. While there may be differences in the division process depending on the specific proposed transaction, the Allstate Division Transaction provides a

solid framework for the division process in Illinois and other states with similar division legislation. ●



Luann Petrellis is an independent consultant who was engaged by the Illinois Department to act as project manager for the Allstate Division transactions. Luann can be contacted at lpetrellis@outlook.com or 610-304-4524.

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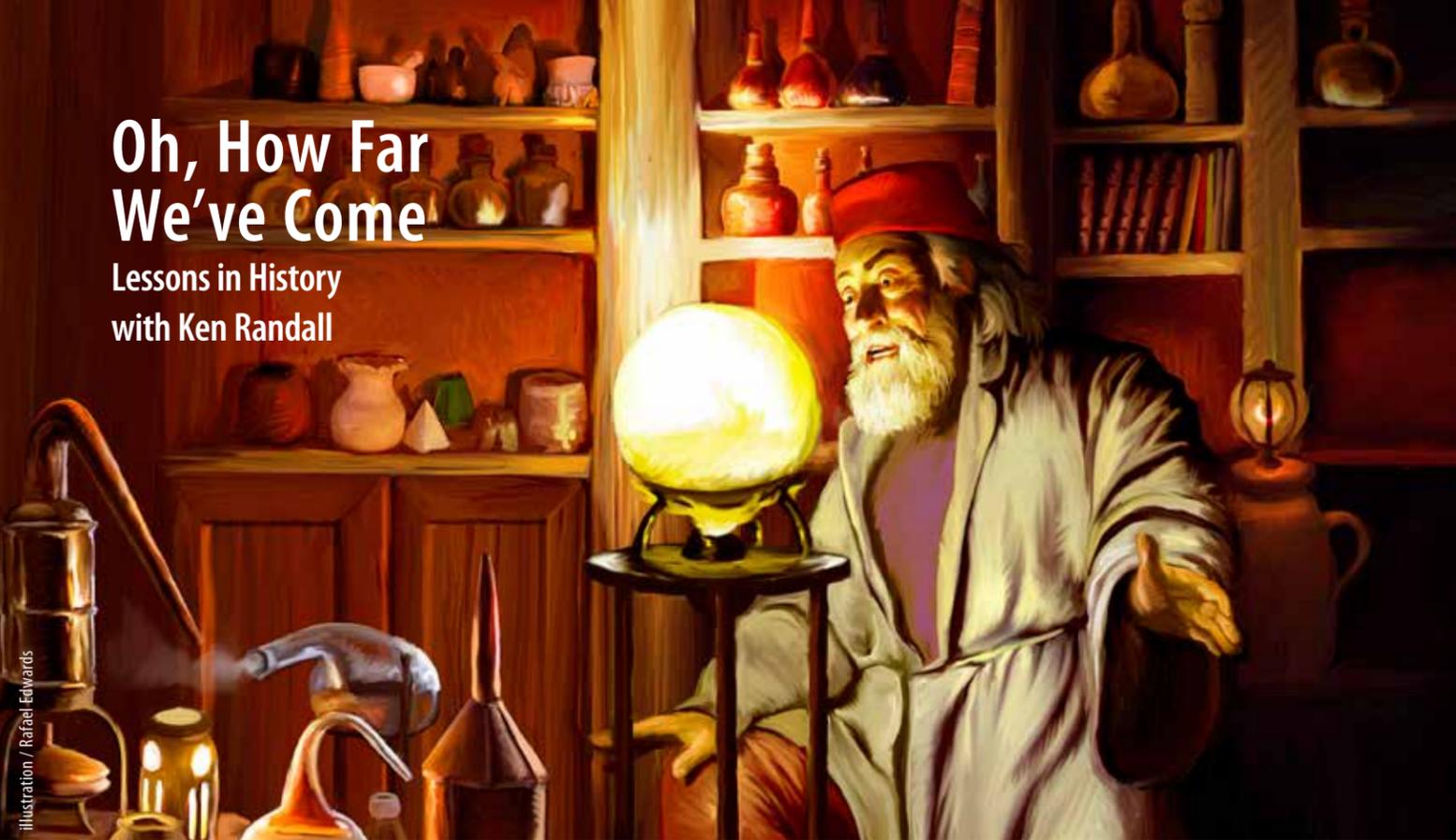
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Oh, How Far We've Come

Lessons in History
with Ken Randall



In April 2021, Ken Randall, a pioneer in the legacy business, officially retired. He handed the reins of R&Q to his chosen successors. He cofounded R&Q with Allan Quilter in 1991 and became an industry leader in legacy business, an industry which is now worth over \$800 billion according to PWC. We had a fascinating opportunity to chat with him, and hear his insights about the history of legacy business. While this scant summary cannot capture the scope of his 57 year career, we offer some memorable stories that give us a perspective on the development of his success in the business.

Ken is an accountant by profession, and no doubt by proclivity since he left school at age 16 to become one. While some educational backfilling was pursued along the way, he began his career as an accountant in the publishing area. An acquaintance at Lloyd's convinced him to take a job there, where his background in publishing was quite suitable and precisely what was needed. At the time, Lloyd's was a leader in marine business and maintained a significant number of journals and publications utilized by the industry, such as the *Lloyd's List* daily newspaper, *Lloyd's Loading List* and the *Shipping Index*. Thus, his entry brought him into the corporation of Lloyd's rather than one of the syndicates which gave him a unique perspective on the business. Unlike most of its competitors, Lloyd's is a market established by, and having a financial structure dictated by, parliamentary legislation. This structure, at the time, was largely outdated. Lloyd's was growing exponentially with tens of thousands of individual "names" (investors) attracted by the potential profits. The governance systems were outdated, and

the accountancy and solvency systems were no longer fit for purpose, creating a rich environment for Ken to become the problem solver, and exercise his entrepreneurial bent. This later served as the basis for his entry into run-off which, as he says, is "all about solving problems." He observes that initially legacy business was mostly focused on claims and commutations but today it is just as much about insurance capital management.

He doubts that there would be an extensive audience for a book about his exploits at Lloyd's, because in his view, although insurance may touch millions of people, the industry itself is a small, albeit global, village. He has, however, witnessed, and did indeed investigate, some of the more notorious scandals. In the 1980s, for example, Lloyd's was in crisis, and scandals exposed problems such as Ian Posgate, a controversial Howden underwriter; issues surrounding the Alexander Howden Group, a leading participant in both brokering and underwriting activities on the exchange; Peter Cameron-Webb's fraudulent reinsurance dealings, and other situations which eventually led to

the departure from the market of high ranking members of the Committee of Lloyd's, which oversaw the operation of Lloyd's. The Bank of England took an interest even though Lloyd's was a "self-regulating" body, and part of Ken's duties was to keep the Bank informed of what was going on. It was a fascinating time for him because he would leave his house in the morning not knowing what the day would hold and then read about another scandal on the train on his way to work that would set out the challenging agenda ahead.

Ken was always an entrepreneur, keen on forming new ventures. He was fine working for someone as long as he was the one making the decisions. That led him to form his own business, R&Q. He saw opportunities, and he was willing to take risks, including the risk of losing his own money, which he believes is part of the true definition of entrepreneur. He built his business by assembling a blend of skills, not just kindred entrepreneurial spirits: "I always tell people you can recruit the 11 best goalies in the world but that will not give you a great soccer team." Group thinking is not always a good thing; you need a variety of opinions. And while you need a variety of skills, people on your team with keen attention to detail are critical; claims people, in particular, need to have this skill, because wordings matter. If you have people who can pay attention to detail, and work harder and smarter, you will achieve better results on legacy business.

We asked if he has seen long term change in the run-off business. Ken answered that, in the early days, opportunity came from the soft market, and failure to appreciate the risks. He and Alan Quilter joke about it now, but if an underwriter was seen meeting with R&Q it was almost certain they had a problem that needed solving and there was a certain level of shame associated with that. It is a different world now, and the capital management



Ken Randall

service provided by his firm is viewed as a profitable segment of the market. One of the key opportunities for the legacy market going forward is to address the unexpected entrapment of funds that worries many insurers and their investors; the legacy market is there to take over distressed assets. It should not be surprising that there has been a recent surge in ILS (Insurance-Linked Securities) which provides enormous opportunity particularly if you can "simplify the product," and "reduce friction costs." But "you need to address the entrapment issue." He feels that regulators do not always appreciate the benefits of the efficiencies that can be put in place to handle a group of similar portfolios; rather than common services with effective checks and balances, regulators seem to prefer each portfolio to be handled individually. Success in legacy business demands creativity and innovation – witness the changes over the past 30 years. You must have controls in place, but if you impose too much control, you limit innovation.

What is next for Ken Randall? He cannot go directly from the busy life he has led to sitting on the beach, and

Connie O'Mara & Carolyn Fahey

...legacy business should not be described at cocktail parties as being "an undertaker for the insurance business" but rather a vibrant and profitable sector of capital markets.

he does not enjoy a purely advisory role. So as a segue to retirement he has agreed to tackle a couple of projects as an independent, in situations where his past experience will be of significant value. He is a keen squash player and swims every day in the ocean. He also enjoys sailing and intends to do more of that. He plans to spend more time with his grandchildren.

During the course of our chat, we did not eliminate the opportunity for a tell-all compendium of all the insurance industry problems he has had a role in solving. We did see a story arch emerge which was legacy business should not be described at cocktail parties as being "an undertaker for the insurance business" but rather a vibrant and profitable sector of capital markets.

Ken is an inspiration to the core tenets of AIRROC's mission, and will continue to serve as an icon of legacy business professionalism. ●



Carolyn Fahey is the Executive Director of AIRROC, carolyn@airroc.org and Connie O'Mara is a member of the AIRROC Advisory Council, connie@cdomara-consulting.com



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AIRROC celebrates the success of our 17th Annual Legacy Transactions & Networking Forum. Not only was it "A Bright Time for Legacy" but we also enjoyed some bright sunny days and clear blue skies as the AIRROC community gathered once again to hold our renowned run-off conference in Jersey City, New Jersey. The event was a huge success that attracted over 150 delegates who attended in-person and 75 more who participated virtually.

The joy of reuniting and reconnecting with colleagues, clients, peers and friends face-to-face after 18 months was one of the high points of 2021 and a connection many expressed by their attendance.

We share some of the many special moments that were captured during the event on the following pages. We think everyone who attended and appreciated your support.

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Dentons is pleased to support AIRROC through membership, education, and active engagement with our partners in the insurance runoff community. On behalf of all our lawyers and professionals, we wish everyone in the AIRROC community a very happy, healthy and productive New Year.

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AIRROC On Demand

2021 Education Sessions – all on AIRROC On Demand!

AIRROC hosted 6 webinars, 5 virtual events, and one in person event in 2021 – a total of more than 30 different education sessions in our curriculum for the year. The video recordings can be viewed on the AIRROC On Demand portal.

- Attorney-Client Privilege, January 21 (Webinar)
- 2020 Deals: The Year in Review, February 3 (Webinar)
- Insurance Business Transfer (IBT) Workshop, February 10 (Virtual Event)
- Spring Membership Meeting, March 9-10 (Virtual Event)
- Spring Webinar Series
 - April 7 - The Evolving Role of Actuaries and Claims Professionals
 - April 14 - Insurance-Linked Securities for the Runoff World
 - April 21 - Racial Equity in the Insurance Industry
 - April 28 – Bad Faith
- Runoff Deal Market Forum, June 9 (Virtual Event)
- Summer Membership Meeting, July 13-14 (Virtual Event)
- Arbitration Workshop, September 9 (Virtual Event)
- In person – AIRROC NJ 2021 Transactions and Networking Forum, October 17-20 (Jersey City, NJ)

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AIRROC 2021 Accomplishments by the Numbers

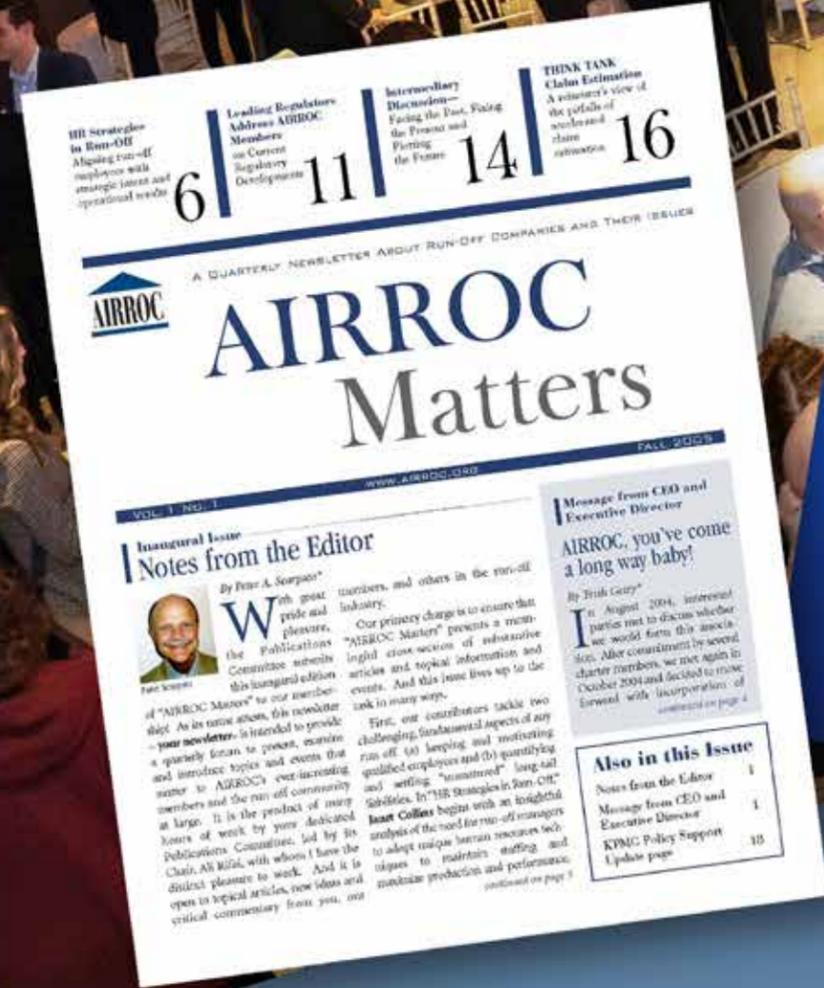
- ✓ Hosted 5 virtual events and 6 webinars with a total of 30 different education sessions.
- ✓ Established the NextGen Task Force, a group of young professionals tasked with helping to connect and engage the next generation of legacy leaders.
- ✓ Launched AIRROC On Demand as a new member benefit. Currently there are 47 video sessions in our growing library that can be accessed at anytime by our members.
- ✓ Rebranded and renamed our digital newsletter AIRROC Update by running a successful “renaming” campaign with assistance from members.
- ✓ Published 105 new articles in AIRROC Update with the website being accessed more than 13,500 times.
- ✓ Launched “The Legacy Life” podcast, a NextGen Task Force initiative. Currently there are 7 episodes available with more than 750 total downloads.
- ✓ Registered a total of 1,700 participants for AIRROC’s 2021 programs with a consistent level of at least 80% of our registrants logged in to participate in the live programs.
- ✓ Recruited and welcomed 8 new members: Arkansas Insurance Department, BMS Re, Fortitude Re, Gallagher Bassett, Gallagher Re, Genesis Legacy Solutions, Pennsylvania Insurance Department, White & Williams.
- ✓ Successfully returned to an in-person event for the October Transactions Forum with more than 150 attendees and many more logging in to the live stream of the education sessions.
- ✓ Survey results for the October event show that 50% of the attendees met with 7-9 companies and 20% with 10 or more companies. This means that at least 70% of those attending met with at least 7 different companies. Business gets done at AIRROC!



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