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AIRROC matters

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A Loss for Many...

By Carolyn Fahey & Anthony Mormino

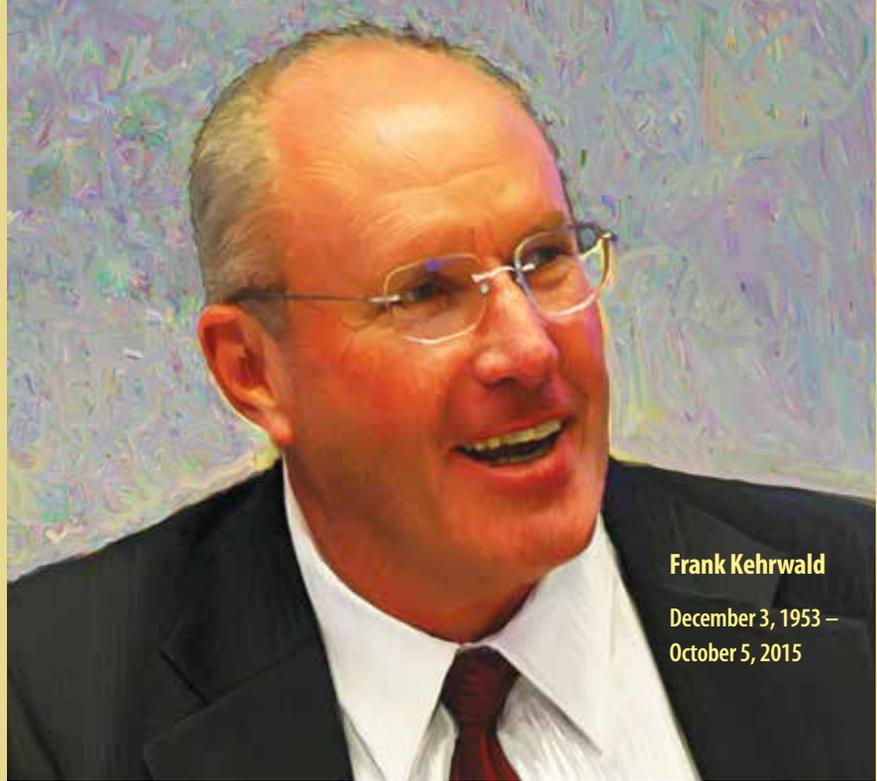
The AIRROC Board and members pay tribute to Frank Kehrwald, who died unexpectedly on October 5, 2015.

Frank had served on the AIRROC Board of Directors since 2008. He was a thoughtful and strong contributor on the board as well as the AIRROC Education Committee. His insights, steadfastness, and creativity will be greatly missed. Many will also miss his dry sense of humor, which would shine through when least expected. He was a strong advocate of AIRROC's streamlined arbitration process and the primary author of AIRROC's mediation process. He was a frequent speaker at AIRROC events, passing on his knowledge and wealth of experience to our audiences.

Frank started his career with Employers Reinsurance Corporation and he became a Senior Vice President at Swiss Re with more than 35 years of insurance and reinsurance industry experience including legal, claims and underwriting. He was well-known for handling disputes concerning claims, mediations, litigation, arbitration, and had been counsel to reinsurance/commutation teams affecting hundreds of commutations.

Frank was a friend and a mentor to many of the people with whom he worked. He was a patient teacher, helping younger associates learn the business of insurance, and succeed in their work at Swiss Re. As a colleague, Frank was happy to aid anyone who asked. Frank's warm presence had a positive impact on everyone he worked with at Swiss Re, leaving an indelible mark that none will forget.

He is survived by his wife, Donnelle, of 30 years and their two children, Coreen and Dillon. ●



Frank Kehrwald

December 3, 1953 –
October 5, 2015

“Frank was an active participant in AIRROC's education efforts by constantly bringing new ideas for educational topics. He was a champion of efforts to bring AIRROC's community current with changes in legislation, judicial processes and decisions. He will be missed for his dedication, candor and insight.”

—*Katherine Barker, Bedivere Insurance Co. and Co-Chair of the AIRROC Board*

“I first met Frank in 1993 when I audited Westport on behalf of a Japanese Reinsurer. At first, he took exception to the audit as Swiss Re was a professional reinsurer and, in his opinion, one professional reinsurer did not audit another professional reinsurer. There was a code of conduct that needed to be protected. The audit produced a few issues of which one was significant. According to my client this was addressed to their satisfaction. The details of the resolution were never made available to me except for the fact that Westport re-worked several on-going contracts to address the effects of the issue. I raised the issue with Frank in 2014. He clearly remembered the audit and thanked me for always keeping the issue and its resolution confidential.

Frank was a purist. There was right and there was wrong. The lesson here? There was an on-going relationship between Westport and the Japanese Reinsurer and Frank could have easily played to

the relationship and easily gotten the Reinsurer to drop the issue. Instead he made it right. It was just who he was.

Thanks, Frank, for the valuable lesson. Teacher, yes, to me; Mentor, well, only to an industry. I'll miss a viable adversary and somebody who always brought something, other than himself, to the table. I will miss you, Frank; but the lessons live on.”

—*Art Coleman, Citadel Risk and Immediate Past Chair of the AIRROC Board*

“Frank was very much a statesman for the industry, and legacy claims in particular. He welcomed the opportunity to address issues in the full light of day, engage in open dialogue and to reach resolution on matters in a professional manner. He always had an eye turned towards emerging risks, legislative changes and the evolving legal landscape that affects our business. His voice carried, literally and figuratively, in the AIRROC Boardroom and on the Education Committee. He will be missed.”

—*Marcus Doran, The Hartford, AIRROC Board Member and Co-Chair of the Education Committee*

“I will always remember Frank's tremendous support of education, sometimes participating himself on an AIRROC panel.”

—*Trish Getty, Founding Executive Director of AIRROC*

Winter Wonders...

Peter A. Scarpato

The world is changing, not all for the good. As we absorb our expected daily onslaught of bad news, we wonder, what holds for us in 2016? How will we handle the domestic and international tumult passed on by 2015? Is there a friendly port in this perilous storm? No easy answers. But one thing seems certain. Prospects are good that AIRROC will continue as the glue binding the run off community together with class, information and professionalism. Keep it close during the upcoming year.

This edition covers the wide world of runoff. We begin with Part 2 in Luann Petrellis' trilogy on fresh ideas for our market, *New Restructuring Opportunities for the U.S. P&C Market*, in which she extolls the fairness and rigor of Rhode Island's new Insurance Business Transfer (IBT). Stay tuned for more use of this structure in 2016. Next, our own Bina Dagar and Connie O'Mara pay due homage to AIRROC's departing stalwarts, Marianne Petillo and Kathy Barker. *Outgoing Co-Chairs*, covers everything from the dynamic duo's key accomplishments and formulae for success, to their recipe for AIRROC's successful future. Kudos to Marianne and Kathy for all their work!

The perils of elements connecting insurance and reinsurance loom large in *Walking the High Wire: The Discoverability of Insurer/Reinsurer Communications in Insurance Coverage Litigation*. Lewis Hassett takes the

balance bar and walks the tightrope over legal landscape strewn with case law addressing this perennial battle between claimants' counsel and reinsureds.

A pivotal element of my rosy picture of AIRROC's future is the dedicated work of our Board members and Executive Director, Carolyn Fahey. Vice Chair Maryann Taylor's piece, *AIRROC & APIW: In Perfect Harmony* outlines the participation of Leah Spivey and Carolyn Fahey on a panel at the Association of Professional Insurance Women's September luncheon. Great advertising for our connected organization. And our mission of Continuing Ed lives on in *AIRROC Goes to the Windy City: Chicago Regional Education Day*, where we partnered with Foley & Lardner and a list of reinsurance/run off notables to discuss our DRP. We also recognized William Goldsmith's and David Kenyon's ascension onto the board of directors in *All Aboard the Board*.

Finally, Carolyn poignantly notes the connection between our cover art and beloved friend and mentor Frank Kehrwald in *Birds of a Feather*, while Leah Spivey covers the first CLIP recipients in *CLIP: A Dream Come True*.

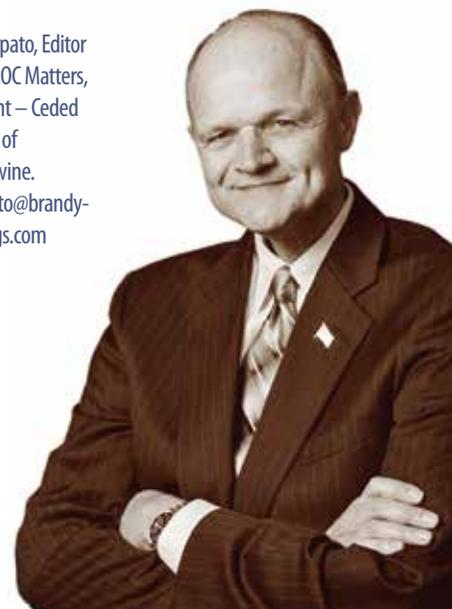
Of course, to honor another successful Commutations & Networking Forum, we begin with "Knowledge is Power," a segment featuring the many, informative day-one seminars, covering everything from fraud protection, sports injuries, construction defect, the IBT and

asbestos/environmental matters. Next, Connie O'Mara features our first ever team recipient of the *AIRROC Person of the Year*, the crew at Reliance Insurance Company in Liquidation. Hats off to David Brietling and his team! And St. John's University Actuarial Science Senior Brian Kutza is this year's recipient of the *Trish Getty Scholarship Award*. We close with AIRROC's hosting of a fundraiser for Covenant House.

Frank, we miss you and thank you for all you have done.



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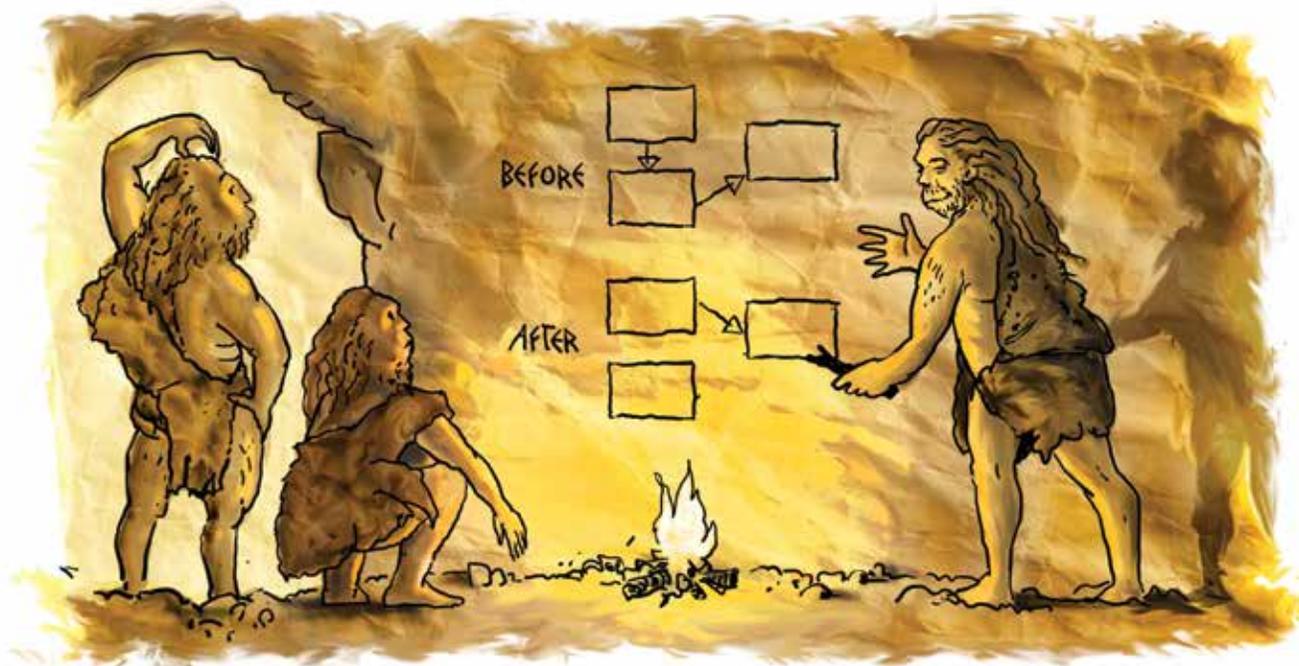
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Welcome to the New World of Run-off

Part 2: New Restructuring Opportunities for the U.S. P&C Market



The global financial crisis of several years ago forever changed the way business looks at itself – as well as the way the public and regulators view business. The outlook of most business leaders has changed from the pre-2007 expected future of unlimited growth to a more somber and practical outlook – with more focus on potential loss of wealth, asset protection, increased scrutiny and higher levels of financial risk.

The near-death experiences and forced restructurings of several large insurance companies provide the best examples of how companies must carefully avoid complicated and constrictive financial structures, if they are to effectively manage operating businesses in the post-crisis financial environment. They also confirm and clarify why new opportunities for restructuring are so important to U.S. property and casualty (P&C) carriers.

Restructurings

Restructurings are more complicated for those companies which operate in regulated industries. For example, increased regulatory scrutiny of the banking industry since the financial crisis has led several large non-bank companies to be designated as SIFIs, or systemically important financial institutions, and undergo restructurings. SIFIs are banks, insurance companies or other financial institutions whose failure might trigger a financial crisis¹, in the eyes of regulators. Others in financial services are now asking when SIFI-style oversight will become the norm across the industry.

The insurance industry is well aware that increased oversight, ongoing expansion of state regulation and limited restructuring options have created operating issues, increased compliance costs and raised additional concerns that consume management time and attention.

A.M. Best A&E study

Recent asbestos and environmental (A&E) loss development experience

clearly illustrates the risks confronting the P&C insurance industry. In a recent study, A.M. Best estimated the industry's ultimate net liabilities have increased to \$85 billion for asbestos and \$42 billion for environmental. Given current industry reserves, this represents an unfunded liability of \$7 billion for asbestos and \$4 billion for environmental. A.M. Best also reported that total A&E incurred losses (paid claims plus reserves) have increased in five of the last seven years, including a 16% increase in 2013². Many P&C insurers and reinsurers with runoff business struggle with retaining these risks on their balance sheets.

Current state of the U.S. runoff market

Both small P&C companies and global insurance groups have a need for effective restructuring tools to optimize capital utilization, as well as to manage runoff liabilities. Three of the larger insurer groups that represented 50% of the A&E losses in 2013 have engaged in large-loss portfolio transfers with Berkshire Hathaway's National Indemnity. These

larger insurance groups can afford to enter into such sophisticated reinsurance transactions, but what about the rest of the insurance industry? There are limited runoff options for many small and mid-sized insurance companies.

In addition, many companies have portfolios of business that are either inconsistent with their core competency or provide excessive exposure to a particular risk or segment of the market. These non-core and/or discontinued policies and portfolios are often associated with potentially large exposures. Further, they are characterized by lengthy time periods before resolution of the last remaining insured claims, resulting in significant uncertainty to the insurer or reinsurer covering those risks. Collectively, these factors can distract management, absorb capital, reduce return on equity and negatively impact the credit ratings of both insurers and reinsurers. All of these factors make the disposal of the portfolio an attractive option.

Runoffs: the management view

Management at many U.S. carriers is frustrated by the lack of exit options available to them. Large amounts of insurance capital are utilized to support runoff portfolios that are generally viewed negatively by rating agencies and investors. Sale, commutation, reinsurance and loss portfolio transfer have been the available runoff exit mechanisms. But each of these have limited applications and, in many cases, are not practical solutions, particularly in the low interest rate environment of recent years. Most companies have considered these alternatives and are looking for other more effective ways to deal with the “rump” of the runoff legacy liabilities that remain on the balance sheet.

Rhode Island Insurance Regulation 68: the Insurance Business Transfer

The Rhode Island Department of Business Regulation has approved Amendments to Insurance Regulation 68, providing for insurance business transfers (IBT). The

IBT is a carefully monitored, transparent and court-sanctioned novation process for the transfer of some or all of a company’s commercial runoff liabilities to a newly formed or re-domesticated Rhode Island-domiciled company. The transferred policies move from one company (does not have to be a Rhode Island company) to another company (must be a Rhode Island insurer) and include the attaching reinsurance.

As a public policy matter, the proposed amendments fill a huge void in the current regulatory environment for run-off business...

The IBT applies to all lines of reinsurance, other than life, and all lines of insurance, other than life, workers’ compensation and personal lines. It applies to U.S. and foreign carriers with U.S. domiciled business. The transferring policies must have a natural expiration date of more than 60 months prior to the date of filing for an IBT and be in a closed book of business or a reasonably specified group of policies. The bottom line is that the IBT provides an effective restructuring tool for commercial P&C insurers or reinsurers with runoff business.

The IBT approval process requires rigorous financial scrutiny including a report from an independent expert and both regulatory and judicial approval. This robust review of the economic feasibility of the transfer plan ensures that the viability of the transferring company and assuming company are sustainable over time.

The importance of the IBT transaction is its ability to provide a fair solution that balances the needs of all company stakeholders. Companies with runoff business can transparently exit from these liabilities, while the interests of policyholders are protected by a closely monitored and judicially-approved transfer process.

Impact of the RI runoff regulations on the U.S. P&C market

The IBT allows for a more level playing field for all sizes of insurance carriers in addressing their runoff exposures. Because of its versatility, the IBT provides expanded options for management of runoff liabilities and – for the first time – brings finality to legacy liabilities.

The IBT will permit more efficient management of transferred books of business, and allow dedicated capital and focused solutions to be applied to runoff liabilities. It also provides a reasonable framework for transfers of insurance business while safeguarding the interests of policyholders, resulting in a fair outcome for all parties involved.

UK experience

The Insurance Business Transfer is modeled on the UK Part VII Transfer that has been in place since 2001 and has resulted in hundreds of successful transfers of business. To date, no Part VII transfers have subsequently encountered financial difficulties. Investors have come to view the UK market more favorably because a large amount of captured surplus has been freed up for re-deployment.

The UK has seen the Part VII Transfer used to consolidate runoff within a single entity, within a live insurance group. In some cases, the consolidated runoff entity has subsequently been sold to firms specializing in acquiring runoffs. The Part VII has also been used as a pure exit mechanism to dispose of portfolios of runoff business.

Benefits of the RI IBT

Similar to the UK Part VII Transfer, the IBT is very versatile and can be applied to discrete portfolios, individual policies or to change a company’s entire business. Because of the IBTs flexibility, there are significant benefits to both transferring and assuming companies. Some of these benefits include:

New World of Run-off (continued)

Transferring company

- Increased capital efficiency
- Group restructuring
- Regulatory and operational efficiency and expense reduction
- Simplification and consolidation of legacy business portfolios
- Removal of non-core lines
- Economic and legal finality (if an external transfer)
- Removal of risk of adverse loss development
- Favorable consideration from regulators and rating agencies

Assuming company

- More rational process to enter an expanding runoff market
- Opportunity to increase market share of legacy market
- Creation of center of excellence for runoff
- Regulatory and operational efficiency
- Opportunity for enhanced profit from efficient management and exit solutions
- Consolidation of legacy business

The bottom line: a new and improved restructuring opportunity

For restructuring to be accepted by regulators, policyholders and other constituents, it must be fair to all parties. The IBT process requires that both transferring and non-transferring policyholders be treated fairly within the regulatory and legal framework. Combined with a rigorous review process that requires extensive financial disclosure; the IBT ensures stability to both the transferring and assuming companies. The future success of the company, after recognizing its obligations to all policyholders, ensures the integrity of the regulatory process.

With the IBT now available, we are seeing the market poising for action, looking to understand the cost, benefits, risks and process to effectively leverage this tool to achieve its goals for restructuring and finality. ●

Part 1 of this article, "Insurance Business Transfer: Rhode Island's Answer to Part VII," appeared in the Fall 2015 issue of AIRROC Matters.

Notes

1. Wikipedia definition
2. A.M. Best Releases Annual A&E Study – February 5, 2015 by KCIC

The views expressed herein are those of the authors and do not necessarily reflect the views of Ernst & Young LLP or the global EY organization.



Luann Petrellis provides insurance advisory services in connection with the RI Amendments to Insurance Regulation 68 for Ernst & Young LLP in New York. She can be reached at luann.petrellis@ey.com.

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Outgoing Co-Chairs

Marianne Petillo & Katherine Barker

Bina T. Dagar &
Connie D. O'Mara



It is not easy to get Marianne and Kathy to talk about themselves. But when you ask them about AIRROC and their work for the organization, they are happy to share their insight on key goals and objectives as the organization evolves.

The co-chairs have forged a real partnership of two individuals with distinct strengths; Kathy has brought her strategic forte and Marianne her operational know-how to effectively get the job done. As a team, they feel they have worked together well, bringing different perspectives to the common goal of streamlining the organization to align the resources of member companies behind Carolyn Fahey as Executive Director. There has been a collaborative effort to guide Carolyn and set strategies and priorities for Carolyn to implement. They are unanimous in their praise for the creativity and energy Carolyn has brought to AIRROC. They both feel strongly that while Board members come and go, Carolyn provides the necessary continuity of focus on the needs of the member companies: education and networking. Both are also unanimous in their appreciation for AIRROC's Corporate Partners whose work supports AIRROC

Matters, the education sessions, and all of AIRROC's initiatives. Separately, Kathy has been focused on education, making sure it stays relevant as business issues change and evolve. Marianne has been focused on getting the organization's finances in order, promoting the DRP, which she herself has used twice, and working on the requirements for the CLIP designation.

The co-chairs have forged a real partnership of two individuals with distinct strengths; Kathy has brought her strategic forte and Marianne her operational know-how to effectively get the job done.

During their tenure Kathy and Marianne, who each know and work with different types of companies in run-off, endeavored to get different models of run-off to work within the Association. They can proudly say that the Board has a spread of representatives from big and small companies. The Board is designed to be large to get diversity and commitment

of members to the association. Board membership has been constant, and the board members are active participants in making sure AIRROC stays on message.

Under their leadership, AIRROC saw improvements in technology and creativity in its educational offerings. AIRROC has initiated a new designation, Certified Legacy Insurance Professional, "CLIP." This badge was conferred to five recipients at the AIRROC Conference; and it was a proud moment for the co-chairs, who had worked hard to provide another avenue for delegates to gain skills and obtain recognition for it.

Going forward, both feel that it is essential for the Association to continue evolving to stay valuable to its members. What has made AIRROC so attractive to its members is the opportunity to meet counterparties face-to-face and allows the companies to stay relevant while managing their legacy business. Both believe that by consistently working to build trust across the organization, making sure each committee has board members on it and a succession plan in place, they help design an organization that provides critical benefits for run-off management of legacy liabilities. ●

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Navigating the new world of runoff.

New regulations in Rhode Island provide for Insurance Business Transfers, an effective restructuring tool that allows US insurers and reinsurers to achieve finality with respect to their commercial runoff businesses. EY's Insurance team can help you navigate the transfer process as well as the challenges related to the optimal use of deployed capital, so together we can establish a foundation for your success.

Visit ey.com/US/insurance



The Discoverability of Insurer/Reinsurer Communications in Insurance Coverage Litigation



In insurance coverage litigation, cedants and reinsurers have a common financial interest in the investigation and adjustment of complex, high-dollar or questionable claims. In the real world, a joint financial interest is the firmest of foundations for expectations of confidentiality. Cedants have a duty to keep reinsurers informed, and reinsurers may decide to join in the claims process.

Quality plaintiffs' attorneys know this and, therefore, often seek reinsurance information through discovery. Cedants and reinsurers naturally resist disclosure for a variety of reasons. For example, placement information may reveal confidential financial and marketing information. Claim information may include statements and opinions that, with the benefit of hindsight, portray the claims process in an unflattering light.

A useful logical flowchart in evaluating discovery requests for reinsurance information is (a) whether the information is potentially relevant to the litigation or is otherwise discoverable, (b) whether the information is protected by (i) the attorney-client privilege or (ii) as materials prepared in anticipation of litigation, and (c) if so protected, whether

the protections have been waived via voluntary disclosure to a third party. *See Parkdale Am., LLC v. Travelers Cas. & Sur. Co. of Am.*, No. 3:06CV78-R, 2007 WL 4165247, at *8 (W.D.N.C. Nov. 19, 2007); *Harper-Wyman Co. v. Connecticut Gen. Life Ins. Co.*, No. 86 C 9595, 1991 WL 62510, at *2 (N.D. Ill. Apr. 17, 1991). Disputes over the discoverability of reinsurance information typically involve relevance or whether protection has been waived by the cedant's disclosure to the reinsurer. Decisions and guidelines on these issues are discussed below.

As a threshold matter, under Fed. R. Civ. P. 26(a)(1)(A)(iv) and its state analogs, the cedant must produce any reinsurance coverage under which a cedant may be reimbursed. *See U.S. Fire Ins. Co. v. Bunge N. Am., Inc.*, 244 F.R.D. 638, 641 (D. Kan. 2007); *National Union Fire Ins. Co. of Pittsburgh, Pa. v. Continental Illinois Corp.*, 116 F.R.D. 78, 83-84 (N.D. Ill. 1987). The existence and terms of reinsurance coverage are generally not controversial and to some extent should be in the insurer's statutory filings.

Claimants may also seek reinsurance placement and claims information. In federal courts and most state courts, this information will be discoverable if the claimant can show that it is reasonably calculated to lead to the discovery of admissible evidence, unless protected from disclosure by a privilege or other

protection. *See, e.g., Fed. R. Civ. P. 26(b)(1), O.C.G.A. § 9-11-26(b)(1)*. Under this generous standard, claimants may discover "any matter that bears on, or that reasonably could lead to other matter[s] that could bear on, any issue that is or may be in the case." *Oppenheimer Fund, Inc. v. Sanders*, 437 U.S. 340, 351 (1978).

With respect to reinsurance placement information, courts generally hold such information irrelevant to coverage disputes, reasoning that the decision to purchase reinsurance – particularly when done via a broad treaty – sheds little light on the specific terms of coverage. *Heights at Issaquah Ridge Owners Ass'n. v. Steadfast Ins. Co.*, No. C07-1045RSM, 2007 WL 4410260, at *4 (W.D. Wash. Dec. 13, 2007); *Great Lakes Dredge and Dock Company v. Commercial Union Assurance Company*, 159 F.R.D. 502, 504 (N.D. Ill. 1995). Nevertheless, some courts have permitted discovery of placement information where relevance can be specifically shown. For example, courts have allowed discovery of reinsurance placement information in cases involving rescission, ambiguous policy language, failure to disclose relevant underwriting risks, or the reconstruction of a lost policy. *See Fireman's Fund Ins. Co. v. Great Am. Ins. Co. of New York*, 284 F.R.D. 132, 137 (S.D.N.Y. 2012); *Medmarc Cas. Ins. Co. v. Arrow Int'l, Inc.*, No. CIV A 01 CV 2394, 2002 WL 1870452, at *4 (E.D.

Walking the High Wire (continued)



The more interesting issues are presented when the information itself is protected either as privileged or as prepared in anticipation of litigation, but the parties dispute whether disclosure to the reinsurer waived the privilege.

Pa. July 29, 2002); *Rhone-Poulenc Rorer Inc. v. Home Indem. Co.*, 139 F.R.D. 609, 612 (E.D. Pa. 1991).

With respect to claims-related information — *i.e.*, communications with reinsurers about the claim and the setting of reserves — courts are likely to grant discovery when bad faith claims are at issue. Courts allow discovery into communications with reinsurers on the grounds that such communications may disclose the reasoning and motivation behind the cedant's conduct toward its insured. *Progressive Cas. Ins. Co. v. F.D.I.C.*, 298 F.R.D. 417, 424-25 (N.D. Iowa 2014); *Nat'l Union Fire Ins. Co. of Pittsburgh, PA v. Donaldson Co.*, No. CIV. 10-4948 JRT/JJG, 2014 WL 2865900, at *5 (D. Minn. June 24, 2014). Similarly, they allow discovery of information about the setting of reserves on the basis that reserve amounts may reflect the insurer's private acknowledgement of at least the potential for coverage, as well as the insurer's internal estimate of potential exposure. See *Fireman's Fund Ins. Co. v. Great Am. Ins. Co. of New York*, 284 F.R.D. 132, 138 (S.D.N.Y. 2012); *U.S. Fire Insurance Co. v. Bunge North America, Inc.*, 244 F.R.D. 638, 645 (D. Kan., 2007). But see *Safeguard Lighting Sys., Inc. v. N. Am. Specialty Ins. Co.*, No. CIV.A.03-4145, 2004 WL 3037947, at *3 (E.D. Pa. Dec. 30, 2004) (denying discovery of reserves); *Leksi, Inc. v. Fed.*

Ins. Co., 129 F.R.D. 99, 106 (D.N.J. 1989) (denying discovery of reserves).

In simple coverage disputes that lack allegations of bad faith, courts are less likely to grant requests to discover claims-related information. See *Mirarchi v. Seneca Specialty Ins. Co.*, 564 F. App'x 652, 655 (3d Cir. 2014); *Am. Protection Ins. Co. v. Helm Concentrates, Inc.*, 140 F.R.D. 448 (E.D. Cal 1991). In some cases, courts have acknowledged that claims-related information may ultimately lead to relevant information but that the benefits of discovery are outweighed by the burden or expense of the proposed discovery. *Progressive Cas. Ins. Co. v. F.D.I.C.*, No. 2:12-CV-00665-KJD, 2013 WL 5947783, at *9 (D. Nev. Nov. 1, 2013); *Champion Int'l Corp. v. Liberty Mut. Ins. Co.*, 128 F.R.D. 608, 612 (S.D.N.Y. 1989).

The more interesting issues are presented when the information itself is protected either as privileged or as prepared in anticipation of litigation, but the parties dispute whether disclosure to the reinsurer waived the privilege.

Where the document is privileged, the insurer and reinsurer will argue that the privilege was not waived because they share a "common interest." In a departure from economic reality, most courts hold that while cedants and reinsurers hold a common economic interest, they do not necessarily hold a common legal interest. See *Fireman's*

Fund Ins. Co. v. Great Am. Ins. Co. of New York, 284 F.R.D. 132, 140 (S.D.N.Y. 2012); *Progressive Cas. Ins. Co. v. F.D.I.C.*, 49 F. Supp. 3d 545, 558 (N.D. Iowa 2014). That is reasoning that only a lawyer could love. In reality, the cedant and reinsurer have aligned interests, and every desire and expectation that their communications will remain confidential. The reinsurer is relying on the cedant's judgment but certainly wants to know the extent of its risk.

Even those courts that might otherwise recognize a common interest between a cedant and a reinsurer may require protected information to be produced in bad faith cases on the grounds that the claimant has a substantial need for the information. See *Ivy Hotel San Diego, LLC v. Houston Cas. Co.*, No. 10CV2183-L BGS, 2011 WL 4914941, at *8 (S.D. Cal. Oct. 17, 2011); *Clausen v. Nat'l Grange Mut. Ins. Co.*, 730 A.2d 133, 142 (Del. Super. 1997).

What are cedants and reinsurers supposed to do? Given the volume of claims handled by cedants and the risk of a later dispute between the cedant and the reinsurer, avoiding the use of written communications is not practicable. Vague, overly optimistic, or vacuous reporting to a reinsurer may render those communications less valuable to a claimant in discovery, but they also render the cedant at risk for the denial of reinsurance.

One potential solution is for the reinsurer to be involved in the claims process. While various cases deem protected information to be waived if shared with a reinsurer, other courts have applied a different rule where the reinsurer is involved actively in the claim process. See *Minnesota Sch. Boards Ass'n Ins. Trust v. Employers Ins. Co. of Wausau*, 183 F.R.D. 627, 632 (N.D. Ill. 1999); *U.S. Fire Ins. Co. v. Gen. Reinsurance Corp.*, No. 88 CIV. 6457 (JFK), 1989 WL 82415, at *3 (S.D.N.Y. July 20, 1989). Those courts consider the sharing of information in that context to be more of a joint defense situation. See *Minnesota Sch. Boards Ass'n Ins. Trust v. Employers Ins. Co. of Wausau*, 183 F.R.D. 627, 632 (N.D. Ill. 1999). Of course, the reinsurer's involvement in the claims process should pre-date the sharing of sensitive information.

Cedants and reinsurers served with discovery requests should not panic, but broad boilerplate objections are likely

to fail. *Burlington N. & Santa Fe Ry. Co. v. U.S. Dist. Court for Dist. of Mont.*, 408 F.3d 1142, 1149 (9th Cir. 2005); *Coregis Ins. Co. v. Baratta & Fenerty, Ltd.*, 187 F.R.D. 528, 530 (E.D. Pa. 1999). Objections should be detailed based on the specific requests and the reasons each request is flawed. Cedants and reinsurers should not hesitate to request an *in camera* inspection when privilege or relevance is in dispute. *Lipton v. Superior Court*, 48 Cal. App. 4th 1599, 1619, 56 Cal. Rptr. 2d 341, 352 (1996); *Fireman's Fund Ins. Co. v. Cmty. Coffee Co.*, No. CIV.A.06-2806, 2007 WL 647293, at *1 (E.D. La. Feb. 28, 2007). Many judges do not understand the nature of reinsurance reporting and a cedant's legitimate fears of required production. An attorney's written opinions are entitled to special protection, so an objecting party should particularly highlight those communications for protection. *Cedell v. Farmers Ins. Co. of Washington*, 176 Wash. 2d 686, 699, 295 P.3d 239, 246

(2013); *Banks v. Lockheed-Georgia Co.*, 53 F.R.D. 283, 285 (N.D. Ga. 1971). ●

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AIRROC & APIW: In Perfect Harmony

AIRROC joined forces with the APIW (Association of Professional Insurance Women) at the September program luncheon to discuss and present the rising impact of runoff.

A tour de force showing by AIRROC was front and center with Leah Spivey, a Senior Vice President and Head of Business Runoff for Munich Re America and an AIRROC Board member, moderating the panel. The panel consisted of Carolyn Fahey, the Executive Director of AIRROC and two former AIRROC Runoff Persons of the Year, Anna Petropoulos (2014), the Founder and President of Apetrop, Ltd. and Karl Wall (2013), the Chairman and CEO of Aylesbury Acquisitions, Inc.

The first question to the attendees: “How many of you are managing runoff?” saw a smattering of hands rise from the crowd. The second question, “How many of you purchased insurance or reinsurance from a company you are not doing business with today?” saw an increase in the number of hands raised. Next, attendees were asked: “How many of you purchased coverage from a company that has gone into liquidation or voluntary runoff?” and “How many of you have insured for whom you no longer place business?” To the third and fourth questions, the show of hands increased exponentially. The final question “Now...how many of you are managing runoff?” drove home the point



that runoff and legacy issues are common and widespread and although many in the industry do not self-identify as having runoff experience, they are engaged and confront these issues on a regular basis.

The lively panel discussion that followed focused on a historical and forward-looking approach to runoff from a business, regulatory, and association perspective; the goal of which was to leave the audience with a true appreciation of the rising impact of runoff.

Karl Wall addressed the evolution of the runoff market from a business standpoint, going back to the early 1990s when it was recognized that many insurance and reinsurance companies were facing resource and management pressure from

their discontinued operations. The hidden value tied-up within these non-core runoff operations frequently resulted in a perpetual loss of value or increased costs. The response to this situation created a niche market of runoff professionals that enter into strategic partnerships with these companies in developing ways of identifying, quantifying, and rapidly releasing capital, thereby allowing these insurers and reinsurers to fully focus on their core operations. Fast forward to today, the market has spawned a host of sophisticated runoff managers with the consequence of fewer companies falling into liquidation compared to the 1980s and the 1990s. The success of the sophistication in the runoff market has attracted a robust interest from capital markets, including private equity, hedge funds, and pension funds.

Anna Petropoulos spoke about the historical regulatory approach to runoff outlining the various mechanisms used to manage runoff from schemes and Part VII transfers in the UK, balance sheet transfers in Europe and loss portfolio transfers in the United States. As the market matured so too did the regulatory awareness, not only of the financial implications but also from a consumer viewpoint as well as an understanding of the cross-border complexities. The increase awareness has led to heightened regulatory oversight over exit strategies and accelerated closure of discontinued lines. Today, not only is there is a greater



cross-border recognition and regulation but also a greater focus on increased capital requirements, which has paved the way for Solvency II in the UK. The U.S. is also seeing an expansion of solvency-focused initiatives, which will impact the runoff market. Some states are at the forefront of enacting progressive legislation that offers exit strategies for insurance companies, such as Rhode Island's commutation plan statute and a voluntary restructuring of solvent insurers that looks to mirror the Part VII transfers in the UK. Vermont's recently enacted Legacy Insurance Management Act ("LIMA") allows for the transfer and assumption of closed blocks of insurance and reinsurance business. Regulatory pressure will simply increase the trend towards greater concentration on the successful management of portfolio loss transfers, discontinued lines, and accelerated closure.

Regulatory pressure will simply increase the trend towards greater concentration on the successful management of portfolio loss transfers, discontinued lines, and accelerated closure.

From an Association perspective, Carolyn Fahey talked about the establishment of AIRROC, which was founded in 2004 by 23 companies involved in or impacted by runoff whose goal was to work together to resolve disputes, serve common business interests, learn from each other, and develop strategic interests. One of AIRROC's missions was and remains to improve and raise the professional and managerial standards and practices with

respect to runoff and legacy business. AIRROC has been a force in changing the attitudes and perception of runoff professionals. Individuals who work in runoff have the opportunity to solve a company's toughest problems: problems that are so large, they have the ability to collapse entire companies! Besides the challenge of tackling these tough problems, runoff professionals also deal with regulatory oversight, the demands to generate capital, and the "skepticism" surrounding runoff. In the end, it all adds up to a crucial area where there is a great need for seasoned professionals.

All of the panelists agree that the effective management of runoff is of great consequence with growing influence in the drive for a profitable, sustainable way forward. ●

Maryann Taylor is a Partner at D'Amato & Lynch, LLP. mtaylor@damato-lynch.com.

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News & Events

Regulatory News

Federal Advisory Committee on Insurance (FACI)

The U.S. Department of the Treasury has named 12 individuals to serve on the Federal Advisory Committee on Insurance (FACI), which was established to offer advice and recommendations directly to the Federal Insurance Office (FIO) on a periodic basis. The 12 individuals appointed and reappointed to serve as members of the FACI for terms up to three years include:

Amy Bach, Executive Director, United Policyholders

Laura Bishop, Executive Vice President and Chief Financial Officer, USAA

Kurt Bock, Chief Executive Officer, COUNTRY Financial

Dr. Elizabeth Brown, Associate Professor, College of Business, University of Wisconsin – La Crosse

Nicholas Gerhart, Commissioner, Iowa Insurance Division

David Herzog, Executive Vice President & Chief Financial Officer, AIG

Theodore Mathas, President and CEO, New York Life

Teresa Miller, Commissioner, Pennsylvania Department of Insurance

Alfred Redmer, Commissioner, Maryland Insurance Administration

Michael Riley, Commissioner, West Virginia Offices of the Insurance Commissioner

Marguerite Salazar, Commissioner, Colorado Division of Insurance

Katharine Wade, Commissioner, Connecticut Insurance Department

If you are aware of items that may qualify for the next "Present Value," such as upcoming events, comments or developments that have, or could impact our membership, please email Fran Semaya at fsemaya@gmail.com or Peter Bickford at pbickford@pbnylaw.com.



Top: John Huff, Sharon Clark. Lower: Ted Nickel, Julie Mix McPeak

NAIC

The NAIC held its fall meeting in Washington, DC at which it elected the following officers for 2016:

President: Missouri Insurance Director **John M. Huff**

President-Elect: Kentucky Insurance Commissioner **Sharon P. Clark**

Vice President: Wisconsin Insurance Commissioner **Ted Nickel**

Secretary-Treasurer: Tennessee Insurance Commissioner **Julie Mix McPeak**

Public Forum on EU-U.S. Insurance Dialogue Project



Following the close of the NAIC meeting, the NAIC hosted a Public Forum on EU-U.S. Insurance Dialogue Project. The discussion centered on the concern of what will happen to U.S. insurance groups doing business in the European Union if the U.S. and EU cannot conclude a Covered Agreement by January 1, 2016. The Forum was held just two days

after the Federal Insurance Office and the U.S. Trade Representative notified Congress that they were entering into negotiations with the EU for a covered agreement that would "govern the international treatment of insurance prudential matters." Industry groups expressed concerns that U.S. insurance groups would face economic barriers when Solvency II becomes effective without the Covered Agreement in place. The EU has indicated that it will not grant equivalency to the U.S. based on the current U.S. regulatory environment concerning reinsurance collateral and group supervision, and that the EU and U.S. must enter into a Covered Agreement, which the NAIC does not think is necessary, for U.S. insurance groups to be permitted to operate in Europe on the same regulatory terms as insurers and reinsurers located in the EU.

TRIA Data Calls

Both the FIO and NAIC regulators are preparing to collect terrorism insurance data: the FIO has a July 1, 2016 deadline to provide its initial TRIA report to Congress, while the NAIC's Terrorism Insurance Implementation Working Group is beginning to work on a more expansive collection of TRIA data that will serve "multiple regulatory and oversight objectives with respect to the affordability and availability of insurance coverage for acts of terrorism, as well as monitoring insurers' financial exposure to terrorism risk." During the NAIC meeting industry groups asked state regulators to coordinate with the FIO to avoid duplication and to work together to have one data call.

Industry News

2015 has been a record year for mergers and acquisitions, but the last quarter has been more about advancing or redefining already announced blockbuster transactions than new announcements.

In November, while **Axis Capital Holdings Ltd. ("Axis Capital")** licked its wounds after losing its bid for

PartnerRe Ltd. (“PartnerRe”), soothed only by a \$315 million termination fee, **PartnerRe’s** shareholders approved the \$6.9 billion purchase by **Exor, SpA**. The transaction is scheduled to close in the first quarter of 2016. Likewise, in October the shareholders of **ACE Limited (“ACE”)** approved the \$28.3 billion purchase of **The Chubb Corp. (“Chubb”)**, which is also scheduled to close in the first quarter of 2016.



A previously announced acquisition by **Tokio Marine Holdings, Inc. (“Tokio Marine”)**

of U.S. specialty insurer **HCC Insurance Holdings Inc. (“HCC”)** for \$7.5 billion, closed in October. This was **Tokio Marine’s** biggest ever acquisition. One of the few significant new acquisition announcements this past quarter was also by a Japanese insurance group, **MS&AD Insurance Group Holdings Inc.**, which through its **Mitsui Sumitomo Insurance Company (“Mitsui Sumitomo”)** unit has agreed to purchase U.K. insurer **Amlin PLC (“Amlin”)** for £3.47 billion (\$5.3 billion). **Mitsui Sumitomo** will be paying a reported 36% premium over **Amlin’s** closing stock price on the date of the agreement, another example of an aggressive international expansion by Japanese insurers, particularly into the European and Lloyd’s markets.

Finally, the much talked about merger of global insurance and reinsurance broker, **Willis Group Holdings**, with professional services and analytics firm **Towers Watson** in a transaction valued at \$18 billion may be in trouble. After some **Towers Watson** investors publicly urged rejection of the deal as undervaluing the professional services and analytics firm, the shareholders rejected the initial offer. Subsequently, the parties sweetened the special dividend to be paid to **Towers Watson** shareholders, increasing the value by \$350 million. We will have to wait and see whether that will be enough to save the deal.

Member Updates

The AIRROC family expanded this past quarter by the addition of two new members, **ECC Horizon** and **Sentry Insurance**.



Founded in 1990, **ECC Horizon** is one of the leading

property pollution claim settlement and risk management organizations in the U.S. The firm’s activities include insurance liability resolution, loss control, remediation, project management, claim investigation, and other specialized environmental liability services.

Sentry Insurance was founded in 1904



SENTRY INSURANCE

by members of the Wisconsin Retail Hardware Association to provide quality insurance for its members. Today, Sentry is one of the largest

and strongest mutual insurance companies in the United States with assets of \$13.2 billion and a policyholder surplus of more than \$4 billion.

AIRROC is delighted to welcome **ECC Horizon** and **Sentry Insurance** to its roster of valued members.

People on the Move



Laurie Kamaiko has joined national law firm **Sedgwick LLP** as a Partner in its New York office. Laurie focuses on advising clients on emerging and complex risks,

including cybersecurity, terrorism and natural catastrophes, and helping clients limit exposure to cyber incidents and respond to data breaches and privacy litigation. Laurie can be reached at laurie.kamaiko@sedgwick.com.



Jeanne Kohler has joined **Carlton Fields Jordan Burt, LLP** as a Shareholder in its New York Office. Jeanne represents U.S. and international

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January 14 – 16, 2016
TIPS 42nd Annual Midwinter Symposium
on Insurance & Employee Benefits
Clearwater, FL
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February 3 - 9, 2016
ABA Midyear Meeting
San Diego, CA
www.americanbar.org

March 15-16, 2016
AIRROC Spring Membership Meeting
New York, NY
www.airroc.org

April 3 – 6, 2016
National Association of Insurance
Commissioners (NAIC)
Spring National Meeting
New Orleans, LA
www.naic.org

April 21, 2016
AIRROC Regional Meeting
New York, NY
www.airroc.org

insurers and reinsurers in complex commercial litigation and arbitrations, including complex insurance coverage disputes and reinsurance matters. Jeanne can be reached at jkohler@cfjblaw.com.



AIRROC Corporate Partner Freeborn & Peters LLP announced that **Patrick Frye** has joined the firm as an Associate in its Litigation Practice

Group representing insurance and reinsurance companies in commercial litigation. Patrick can be reached at pfrye@freeborn.com. ●



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AIRROC Goes to the Windy City...

Chicago Regional Education Day

On September 23, AIRROC held our annual Chicago Regional Education Day. The partnership between AIRROC, Foley & Lardner, and Allstate proved to be a success with over 75 in attendance and a diverse set of relevant presentations to the industry...so, from the 28th floor of Foley & Lardner's offices at 321 North Clark Street, we spoke with attendees and sponsors to get some perspectives on how the day went.

"Allstate was very pleased to take part in the Regional Education Day in Chicago, and I personally enjoyed participating on the panel discussing AIRROC's Dispute Resolution Procedure. While there have been a number of other presentations on the mechanics of the DRP in the past, the other panelists (Susan Clafin, Glenn Frankel, Ben Gonson and Tony Mormino) and I were able to share some success stories and also engage with the audience in a candid discussion of the various factors that might be acting as roadblocks to more prevalent use of the DRP. I also thought the mock DRP arbitration during the afternoon session (Ana Francisco and Eric Haab as opposing counsel and Tom Stillman as the arbitrator) provided an excellent example of how effective and efficient the single-arbitrator format can be in resolving a dispute with a complex fact pattern and issue."

— John T. Noone, Specialty Operations Law Division, Law & Regulation Department, Allstate Insurance Company

"Foley was grateful for the chance to partner with AIRROC for this year's Regional Education Day in Chicago. The level of engagement throughout the day was truly extraordinary. AIRROC continues to shape the standards for the run-off field through training and thought leadership and we are proud to be a Corporate Partner of this fine organization."

— Neal J. Moglin, Partner, Foley & Lardner LLP

"The educational sessions were very informative and the networking opportunity was very beneficial. I would highly recommend attending AIRROC sponsored programs! They are great learning opportunities."

— Mychal Loney, Run-off Account Executive, Munich Reinsurance America

"AIRROC's 2016 Chicago event was great. I especially enjoyed the audit panel discussion. It provided some great insight from industry professionals."

— Ursula Merten, Manager, PwC



All Aboard the Board

Goldsmith and Kenyon Join the Ranks

AIRROC is pleased to announce the appointment of two new members to the Board of Directors: William Goldsmith and David Kenyon.

William Goldsmith, Associate General Counsel – Reinsurance, AIG, was elected by the AIRROC members and will serve a three-year term expiring in 2019. His involvement in the insurance and reinsurance industry began 30 years ago as an Associate (and later Partner) at Mendes & Mount LLP. After 19 years there, he joined AIG’s Reinsurance Legal Group, where he currently serves as Associate General Counsel focusing on dispute resolution. Bill offered that he is “honored to be part of the Board and looks forward to a challenging and rewarding experience. I was so sad at the passing of Frank Kehrwald, and as an attorney I hope to be able to fill some of the void created by his absence. Among other projects, I look forward to contributing to developing usage of the dispute resolution process and would like to explore how best to do that.”



David Kenyon (left) and William Goldsmith (right)

David Kenyon, Senior Vice President, Swiss Re, was confirmed to finish out the term of Frank Kehrwald, who suddenly passed away in October 2015. Dave began his career as a forensic accountant for Campos & Stratis. After that, he was hired by Kemper Insurance and then transferred to Kemper Reinsurance, where he held various positions in APH claims and ultimately became Vice President of Treaty Underwriting. After

the acquisition of Kemper Reinsurance by General Electric, he was the leader of Property Group Underwriting and Catastrophe Aggregation, served as Six Sigma Quality Black Belt, and Risk Manager for P&C Reinsurance Americas. Ever since Swiss Re acquired GE Re, he has been the Senior Vice President of Reinsurance Liability and Asset Management. “I’m excited to be joining the AIRROC Board, although it was triggered by the most unfortunate circumstance. I’m hoping that I can help strengthen, and add to the depth and breadth of, the current membership,” said Dave. He believes that the management of run off will become more highlighted with reserve releases slowing and soft market conditions continuing. Dave hopes “to bring additional educational resources to keep AIRROC members abreast of the future potential issues facing the run off space such as cyber, autonomous cars, drones, and closer to all of us today, the impact of Rhode Island Regulation 68.” ●



AIRROC Board of Directors & Officers 2016 Back Row – left to right: Art Coleman (Citadel Risk); Karen Amos (Resolute Management Services); J. Marcus DeCher (Munich Re America); Michael Baschwitz (Zurich); David Kenyon (Swiss Re). Front Row – left to right: Peter Scarpato, Co-Vice Chair (Brandywine Group); Michael Fitzgerald, Past Treasurer; Ann Weikers (RiverStone ReSources LLC); Ed Gibney (R&Q); Bill Littell, Secretary (Allstate). Not Pictured: Sheila Chapman (CNA).

Birds of a Feather



Carolyn Fahey

Message from the Executive Director

As we close another great year for AIRROC, I must reflect on the cover illustration this time, as many may not know the significance. The featured bird on the cover is the Meadowlark. The Meadowlark is the state bird of Kansas, the home state of Frank Kehrwald, who we tragically lost in October. He was an AIRROC board member and a great supporter of our organization. Many will miss him.

Like the Meadowlark, we must take flight and look onwards to what is next for AIRROC. We will begin 2016 with new leadership on the Board. Kathy Barker and Marianne Petillo – the powerful duo that have worked as co-chairs of the board to get AIRROC to where we are today, must step down as they have served the maximum term allowed under the AIRROC Bylaws. The board has elected Leah Spivey (Munich Re) as the new Chair and Peter Scarpato (Brandywine) and Marcus Doran (The Hartford) as the two Vice Chairs. I look forward to

working with them to keep AIRROC on the path to continued successes.

2015 was a year of new “tools” for our members and the industry as a whole. We rolled out the “AIRROC App” placing AIRROC attendee lists and presentations at your fingertips on your mobile devices, we established our own insurance designation, the Certified Legacy Insurance Professional (CLIP) and conferred our first designees in October. We also selected our very first “team” to receive the honor of our annual AIRROC Person of the Year award.

Just a few numbers worth sharing related to AIRROC’s accomplishments in 2015:

- AIRROC held a total of eight events – three in New York, one in Chicago, one in London, two in New Jersey and one in Washington, DC. AIRROC’s events are highly regarded with 80% of the attendees surveyed ranking them excellent to very good.

- A total of 765 individuals attended AIRROC events in 2015 – 79% of these were individuals from AIRROC members or Corporate Partners.

- Three new members joined AIRROC: Sentry Insurance, Pro Is, ECC Horizon

Mark your calendar for the upcoming 2016 AIRROC events on page 17. We are also planning programs in Boston, Chicago, and Munich. Watch for the dates to be announced!

See you soon... ●



Carolyn Fahey joined AIRROC as Executive Director in May 2012. She brings more than 20 years of re/insurance industry and association experience to the organization. carolyn@airroc.org



Doran, Co-Vice Chair (The Hartford/First State); Marianne Petillo, Treasurer and Immediate Past Co-Chair (ROM Re); Sylvain Villeroy de Galhau (AXA Liabilities Managers); Leah Spivey, (QBE North America); Bill Goldsmith (AIG); Katherine Barker, Immediate Past Co-Chair (Bedivere Insurance); Carolyn Fahey, AIRROC Executive Director; Joseph J. DeVito, Immediate

CLIP

A Dream Come True



Leah Spivey

Mychal Loney, Dea Rocano, Sarah Russell, Letitia Saylor, and Russ Wardrip were the first to be conferred upon as Certified Legacy Insurance Professionals (CLIP) on Monday, October 19, 2015 at AIRROC's Annual Meeting in New Brunswick, New Jersey.



The CLIP designation is a recognition of not only the completion of certain course work and readings, but also of the runoff professional's

integrity, longevity and commitment to the furtherance of legacy management and its importance to the insurance industry. In addition to one CPCU and one ARE course, CLIP designees need five years in the management of legacy business, a recommendation from a member of AIRROC, attendance at three AIRROC educational sessions, including one on AIRROC's Dispute Resolution Procedure (DRP), and are required to pursue continuing education in the runoff sector of insurance.

Carolyn Fahey started a mere three years ago as AIRROC's new Executive Director with great energy, enthusiasm, ideas, and dreams for the organization. Most of those ideas have been put into action, including but not limited to our association-friendly website, her expert coordination of the various volunteer committees that keep AIRROC moving forward, the independence and continued success of our annual commutation event, and more importantly the creation of different member categories and the consistent growth of AIRROC because of them.

Another one of Carolyn's dreams for the organization has been brought to fruition, with the conferment of five CLIP designations at this year's Annual Event, with many more in its pipeline. When joining in her capacity as Executive Director, Carolyn met with most of the Board Members to share ideas. I remember the idea that she was most passionate about was that of certifying runoff professionals with a designation similar to those that the Institutes of the Society of CPCU confers upon its graduates in the insurance industry. At the time, it seemed like a pipe dream, as AIRROC needed some basic improvements to continue to be relevant to the insurance industry as a whole. However, while addressing those basic needs, Carolyn continued to work behind the scenes toward her goal of bringing a designation to the world of runoff.

In 2014, she completed all of the research and was creative enough with a basic framework to enlist a couple of board members to help her bring her dream to a reality. Marianne Petillo and I co-chaired a committee of volunteers to finish the process that Carolyn started and, with everyone's hard work, by mid-year 2015 the requirements for and availability of the CLIP designation were announced. Cindy Noonan, of AIRROC, administers the program online and the application process can be completed seamlessly through our website. Please visit airroc.org to complete an application. ●

Leah Spivey is the Head of Business Runoff Operations for Munich Reinsurance America. lspsivey@munichreamerica.com

COMMUTATIONS & NETWORKING FORUM



NEWS FROM NEW BRUNSWICK

High praise once more for AIRROC's selection of the New Brunswick locale for this year's event. Members enjoyed informative programs, excellent dining and just plain fun, while getting down to business with their colleagues. Kudos to AIRROC!



Identifying Fraud: Trends, Predictors and Exposures

Summary by Joseph C. Monahan

What does the General Manager of a Major League Baseball team have in common with the Manager of an insurance carrier's Special Investigations Unit or SIU? If you guessed that both often employ data analytics, you are correct. In their panel discussion entitled *Identifying Fraud: Trends, Predictors and Exposures*, moderated by John Finnegan of Chadbourne & Parke, LLP, CNA's Bo Barber, The Hartford's James Hopkins, and Kevin Miller from Travelers explained the utility of data analytics in an insurance fraud investigation and provided other insights into the current state of SIU investigations.

The panel described the evolution of SIU from the days when such units were typically composed of either claims personnel, or former members of law enforcement, to their current state, where they often include experts in medical billing codes and other specialists. The panel explained that medical bills are a particular focus given that such expenses account for such a large percentage of claims (e.g., as much

as 70% in the worker's compensation context). The panel also emphasized that the analysis is only as good as the data with which the investigator is working, and that the adage "garbage in, garbage out" holds true. Likewise, the analytical results should be viewed as theory, with the investigative team using good investigation skills to determine if that theory is supported by the facts they uncover.

The fraudsters are typically not the insureds, but rather providers and vendors. In many cases, they are sophisticated operators using software to help them determine what bills were previously rejected and how to avoid detection in submitting the next bill, leading to a cat and mouse game with the SIU investigator.

While the sharing of information between carriers regarding different fraudulent billing practices in the market place can allow for more proactive identification of fraud, the panel indicated that antitrust concerns cause carriers not to share an excessive amount of data with each other, particularly regarding a particular provider, unless they are in one of thirty states allowing carriers to share information where fraud is suspected. Carriers can also share information through the National Insurance Crime Bureau, which grants antitrust immunity to reporting insurers.

While the typical goal of the SIU is loss mitigation, where there is enough evidence to support prosecution, investigators will sometimes refer a matter to the authorities for prosecution. Even where criminal charges are not pursued, SIU may involve medical boards, chiropractic boards, and other professional organizations to pursue available sanctions against a provider as appropriate.

The panel noted that computer programs like Access and Excel are very powerful tools for the well-trained investigator, such that there is little need to resort to expensive outside vendors to aid in the investigation. The panel identified some red flags that could trigger an investigation in the medical context, including a change in the severity of billing or in the frequency of billing over time. However, no change in a billing pattern over a period of time could signal fraudulent "template billing," where bills are generated on a regular schedule regardless of the actual treatment.

The panel estimated that between 10% and 17% of every dollar spent on insurance claims is attributable to fraud, and opined that in the run-off context, that percentage is likely higher, partly because it can be more difficult to prove fraud on older claims.

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The Latest on Sports Head Injuries: U.S. Football and UK Rugby

Summary by Joseph C. Monahan

Sports head injuries have received increasing attention in recent years, and several AIRROC education sessions have focused on insurance claims relating to such injuries over that same period. At the October Commutations and Networking Forum, Robin Dusek of Freeborn & Peters LLP and Ian Plumley of Clyde & Co. LLP provided an update.

Ms. Dusek explained that chronic traumatic encephalopathy (“CTE”) has been found only in military veterans, seizure victims, domestic violence victims, and athletes who have experienced repetitive brain trauma. Currently, it can only be diagnosed post-mortem, but there are testing methods in development that would allow for diagnosis through a brain scan or blood tests. If these prove successful, one might expect that more cases will be diagnosed than at present. To date, CTE has been found in athletes that have participated in football, rugby, baseball, soccer, wrestling, ice hockey, and rodeo. Of the 92 NFL veterans who have submitted their

brains for testing after death, 88 have tested positive for CTE.

Ms. Dusek reported that in the class action filed by former players against the National Football League, the district court approved the settlement, but that class members have appealed to the Third Circuit, with one of the major issues being the diagnosis cut-off date to use for inclusion in the class. Even if the settlement is ultimately upheld by the Third Circuit, however, helmet manufacturer Riddell did not settle the claims against it, and 225 individuals also opted out of the class and are free to pursue litigation on their own. The NCAA is also subject to a putative class action brought by all former athletes, not just those at risk of CTE. No decision on class certification has yet been made. In addition, there is ongoing litigation filed by hockey players and professional wrestlers. Ms. Dusek noted that school districts, coaches, trainers and equipment manufacturers are all potential targets for litigation.

Mr. Plumley spoke specifically about the development of the issue in the United Kingdom, with a particular focus on rugby and soccer. He explained that while protocols have been put in place for how teams must respond to a head injury, they are not uniformly followed. To illustrate, he cited a Welsh player in 2015’s Rugby World Cup who was knocked unconscious twice in the same

game, but was allowed to continue to play. The issue has been gaining an increasing amount of attention in the UK, however, particularly with respect to youth and adolescents. Mr. Plumley noted that during the span from the 2012/2013 rugby season to the 2013/2014 rugby season, a 41% increase of head injuries among 14 to 18 year old players was reported. The British Parliament is considering becoming involved in the issue in order to regulate how the sport leagues must handle concussions among its players.

While litigation is certainly a risk and is likely forthcoming in the UK, no cases have been filed to-date. Mr. Plumley suggested that the delay in litigation might be explained not only because the connection between head injuries and CTE is just now being better understood, but because some sports in the UK have only recently been professionalized. Rugby, for instance, has only been played professionally for approximately 20 years.

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Page 24 (from left): James Hopkins, The Hartford; John Finnegan, Chadbourne & Parke; Bo Barber, CNA; Kevin Miller, Travelers.

Page 25 (from left): Robin Dusek, Freeborn & Peters; Ian Plumley, Clyde & Co; Amy Kallal, Mound Cotton Wollan & Greengrass.



Construction Defect Claims: Coverages and Cases

Summary by Randi Elias

Amy Kallal of Mound Cotton Wollan & Greengrass LLP presented a comprehensive summary on the state of the case law addressing various issues related to construction defect claims, including whether and when damage arising from construction defect constitutes an occurrence, the impact that right-to-repair statutes may have on insurance coverage, whether pro-active repairs fall within the scope of coverage provided by various policies, when construction defect claims may be aggregated, and applicable triggers of coverage.

Resolution of these issues varies among jurisdictions and depends on the particular policy language at issue. For example, insurers have contended that damage arising out of construction defect does not constitute an “occurrence” under the terms of a standard CGL policy because claims for faulty workmanship: (1) are foreseeable; (2) constitute “business risk;” (3) have the effect of converting a CGL policy into a performance bond; and/or (4) constitute breach of contract claims

not covered under a CGL policy. Policyholders have countered that defective work is unintentional, that an insured reasonably expects its policies to cover such claims, and that the subcontractor exclusion found in most CGL policies evidences the parties’ intent that the construction defect claims would be covered under the CGL. The courts have split on whether construction defect causes an “occurrence.” Certain states have passed statutes in order to bring construction defect claims within the scope of CGL coverage.

Another emerging issue on the construction defect front concerns whether notice received under a “right to repair” statute constitutes a suit or claim for damages, triggering the policyholder’s right to defense and indemnity under an insurance policy. Again, resolution of this issue is dependent upon the particular policy language at issue, and different courts have reached different results.

There is a similar split in authority concerning whether pro-active repairs are entitled to coverage. The question with which the courts grapple in connection with pro-active repairs is whether the policyholder is “legally obligated” to make such repairs, or whether the term “legally obligated” requires a final judgment requiring the policyholder to make such repairs.

Resolution of the question whether a policyholder is entitled to aggregate claims again varies by jurisdiction and again depends on policy language. Certain policies have tailored the definition of “occurrence” to address aggregation issues, sometimes specifically defining the occurrence to be “per project,” sometimes limiting the occurrence to a particular geographical division or divisions of the policyholder, and sometimes limiting the occurrence to a particular geographic area.

Insurers have also defined in the policies themselves the trigger of coverage for construction defect claims. Some policies require damage during the policy term. Others require manifestation or the close of escrow during the policy period. Certain policies are written on a claims-made basis. Finally, some policies include a hybrid trigger requiring the close of escrow during the policy period and claims made during the policy period.

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Page 26 (from left): Luann Petrellis, Ernst & Young; Jay Votta, Ernst & Young; audience.

Page 27 (from left): Luann Petrellis, Ernst & Young; Jay Votta, Ernst & Young; David Scasbrook, Swiss Re; William Latza, Stroock & Stroock & Lavan.

(far right) Harold Kim and Nathan Morris, U.S. Chamber of Commerce Institute for Legal Reform.



Rhode Island Regulation 68

Summary by Randi Elias

William D. Latzka of Stroock & Stroock & Lavan, LLP, David Scasbrook, Head of Retrospective Solutions at Swiss Re, and Jay C. Votta, Principal, Insurance & Actuarial Advisory Services at Ernst & Young, participated on a lively panel, moderated by Luann Petrellis, Insurance Advisory Services at Ernst & Young, discussing new Rhode Island Regulation 68. Rhode Island Regulation 68 is a court-sanctioned exit mechanism, modeled on UK Part VII transfers, whereby companies can effect a transfer of insurance or reinsurance business, subject to certain exceptions for life business and workers' comp. A transfer effected under Regulation 68 requires approval by the Rhode Island Department of Business Regulation in the first instance and then by the Rhode Island Superior Court, following the filing of a Petition for Implementation. Each of those approvals hinges, in large part, on the impact report prepared by an independent expert that is required by the statute. The panel noted that the impact report should ideally address the regulator's principal concerns: the rights of and protections for the policyholders, the financial security of the acquiring company, and how the acquiring company intends to manage

the business. Notice to all policyholders of the contemplated transfer is required, and anyone – including policyholders – can appear at the court hearing and can claim adverse impact that would result from the transfer.

This restructuring tool has at least two primary purposes. First, Regulation 68 can be used to reduce the number of entities in the corporate family. The insurance or reinsurance business at issue can be transferred into one company, and the transferor entity or entities can then be dissolved or sold. Second, Regulation 68 can be used as a legal finality tool. When the insurance or reinsurance business at issue is transferred to a third party, the transferor entity no longer bears any liability for that business. Further, there is no opt-out provision in the statute, so a policyholder may not refuse to transfer its policy if the transfer is approved by the court.

The panel discussed the need for upfront planning to obtain the necessary buy-in from the regulator and from policyholders. For example, the Regulation 68 transfer might be preceded by a reinsurance agreement and an administrative services agreement to demonstrate that no material change to the policyholders would result from the transfer. The panel also discussed the fact that companies seeking to effect a Regulation 68 transfer should recognize that it is a long process, and approval is not a foregone conclusion. Legal

challenges to a Regulation 68 transfer may include challenges under the United States Constitution, including whether the Regulation violates the Contract Clause and whether the judgment of a Rhode Island court approving the transfer is entitled to full faith and credit.

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The Evolving Asbestos Landscape

Summary by Connie D. O'Mara

What are the key trends in asbestos litigation? After an overview of the genesis of current key issues in asbestos litigation, Harold Kim (Executive VP Legal Reforms Initiative) and Nathan Morris (Senior Director, Legislative Affairs) both from the U.S. Chamber of Commerce Institute for Legal Reform (ILR), presented the salient details of how litigation abuse is short-changing deserving claimants and ongoing initiatives to address the litigation abuse issues:

1) Venue Shopping: Judicial "hell holes", which are jurisdictions that are more favored by plaintiffs, are strained by an influx of claims from people who have minimal or no contact with the jurisdiction. Showing a remarkable facility to adapt, plaintiffs' lawyers are shifting jurisdictions (for instance



Educational Panels (continued)

moving across the river from Madison County, Illinois to St. Louis, Missouri) when procedural controls are implemented.

2) Lung cancer cases: As mesothelioma cases decline, lung cancer cases increase. One prominent plaintiffs' firm has warned that lung cancer verdicts will go up also.

3) Workers' Compensation Statute avoidance: Courts in Illinois and Pennsylvania now allow employees to pursue their employer if they have no remedy under Workers' Compensation laws due to being time-barred under the applicable Workers' Comp statutes.

4) Bankruptcy Trust transparency: Since the mid-90's there has been a rise in the use of Asbestos Bankruptcy Trusts as a second "pot" of money, now estimated at \$30 Billion. Some states are enacting disclosure laws to address the plaintiffs lawyers' ability to manipulate evidence and maximize recoveries. The opinion in the contested Garlock bankruptcy case (<http://tiny.cc/0wqe7x>) contains a useful review of the issues. Federal legislation has also been proposed. The Furthering Asbestos Claim Transparency (FACT) Act of 2013 (HR 526 in the House and S 357 in the Senate) creates reporting requirements that would allow greater scrutiny of fraudulent claims made against multiple trusts.

5) Court Rules and Case Management Orders: In overloaded jurisdictions, such as New York City and Los Angeles, courts are attempting to control abuse through case management orders. In addition, several states have proposed legislation or changes to court rules that would mandate greater transparency for trust claims.

What is next? The Chamber is working to increase public awareness of how the traditional tort system has enriched plaintiffs' lawyers, has failed to compensate plaintiffs, and has driven nearly 100 companies into bankruptcy. The Chamber supports federal legislation proposed to change the bankruptcy code, as it deals with trusts, so as to increase the reporting and disclosure requirements for claimants. In addition, by providing research on litigation trends across the country, the ILR provides a basis for tort reform at the state level.

The US Chamber of Commerce Institute for Legal Reform will continue its efforts to publicize and curtail litigation abuse that is sapping resources from job-creating businesses and to ensure that legitimate victims receive the compensation they deserve. Please see <http://www.instituteforlegalreform.com/issues> and <http://www.instituteforlegalreform.com> for the ILR's State Lawsuit Climate Report.

Connie D. O'Mara, O'Mara Consulting, LLC, connie@cdomaraconsulting.com

Environmental Remediation: What's the Scoop?

Summarized by Bina T. Dagar

Panelists: Daniel C. Gardner, Senior Project Manager, Vertex

Dan Sullivan, Vice President/Principal Hydrogeologist, Roux Associates, Inc.

Michael Naughton, Co-Chair Environmental Group, Chiesa Shahinian & Giantomasi

Gregory Kelder, Vice President, Brandywine Group of Insurance and Reinsurance Companies (moderator)

There are 1,322 sites on the National Priorities List (NPL) of most hazardous sites. Only 375 have been cleaned up; for example, Love Canal came off the list ten years ago. Five sites have been added to the NPL list in 2015, and seven have been proposed for addition to the list. The EPA's new Superfund sites in 2015 include one dry cleaner, of the 40,000 with potential exposures nationwide. According to a 2015 A.M. Best report, environmental losses for the U.S. property/casualty industry are estimated at \$42 billion. Cleanups, in the past, involved digging up soil and groundwater extraction; today, advanced



science technology encompasses injecting biological organisms into the soil and using trees with large leaves to extract and reduce soil contamination. Unique to sites contaminated with sediments are the staggering cleanup costs, which in the future are expected at upwards of \$1 billion for certain sites.

The panel of experts in their respective fields gave the audience an overview of the following:

- EPA Enforcement Priorities/Activity assures compliance with the nation's environmental laws and takes enforcement action when laws are violated;
- Significant sites have unprecedented costs such as the Lower Passaic River, NJ and Portland Harbor, OR;
- Redevelopment of land areas are driving remediation efforts. The EPA did a study a decade ago, showing that 350,000 contaminated sites got discovered by accident, and five percent of these have estimated costs over \$50 million;
- Natural Resource Damages (NRD) Compensation for loss of natural life such as fish, eagles, etc., are getting costlier to the public. The NRD's are converted to capital and distributed among the participating responsible parties (PRP's);

Page 28 (from left): Audience; Daniel Gardner, Vertex; Daniel Sullivan, Roux Associates; Gregory Kelder, Brandywine; Michael Naughton, Chiesa Shahinian & Giantomasi.

- Vapor intrusion, LNAPL, and Free Product relates to the migration of vapor from a subsurface source to inside a building such as radon. The EPA has updated a 2002 Vapor Intrusion document this year that distinguishes petroleum vapor intrusion, which reacts differently than other contaminants, such as chlorinated contaminants. Another key change is a reference to OSHA permissible exposure limits (PEL) being outdated. LNAPL, which is present in most sites where petroleum discharge has occurred, can drive costs significantly higher;
- Environmental litigation developments influence costs to the insurance industry with the understanding that technological defenses are available to defendants, for allocation of these claims can be staggering.

Takeaways from this presentation are the astounding cleanup costs, for example, the lower 8.3 miles of the 17 miles of the Lower Passaic River are estimated at \$1.73 billion for bank to bank dredging. At Portland Harbor, a site of historic industrial operations, in-water contaminant sediment remediation costs, per an EPA feasibility study, is proposed at \$2 billion or more. The estimated cost to the insurance industry can depend on where insurers sit on the primary to excess spectrum. Moreover, exposures vary from site to site and state to state. There is a huge market of insurance buyers in the retroactive market. ●

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AIRROC Person(s) of the Year 2015: Reliance Insurance Company in Liquidation

By Connie D. O'Mara

For the first time since the inception of the "AIRROC Person of the Year" Award, AIRROC has announced that this honor goes to a team of people — Reliance Insurance Company in Liquidation, arguably the largest Property & Casualty liquidation in history. Its distribution percentage to class (b) claimants has risen from 20% in December 2007 to 40%, with \$381.6M distributed as of June 30, 2015 to 6,318 class (b) Notice of Determinations

reach its goal of being completed in under 20 years. How long it will take depends on the ultimate bar date being established by the Commonwealth Court, but the application requesting a bar date was filed in July 2014 and, due to several objections, was argued just a few weeks ago. Given the size, the complexity of the issues, and the nature of the business written, the management team has achieved its goals in managing the liquidation effectively, maximizing distributions and accelerating the liquidation time line.

senior management team at the helm of the liquidation. David had a decade of experience from being in charge of the Philadelphia Reinsurance run-off for the PID, and after being appointed to monitor the solvent run-off of Reliance in April 2001, and then to oversee the rehabilitation (which lasted all of 4 months), he became head of the liquidation team for the PID and responsible for dealing with Reliance's \$10B in liabilities and \$7B in assets. Keith had been a long-time executive with Reliance and on the verge of taking



(NODs) approved by the Court; by the end of 2015, subject to Court approval, the percentage will increase to 65% with another \$240M in distributions. Also by the end of 2015, subject to Court approval, the Guaranty Associations (GAs) will receive another \$390M for a total of \$2.6B inception to date in early access advances to fund the \$3.1B in payments made by those GAs to class (b) Claimants under Reliance policies. (See <http://www.reliancedocuments.com>). Despite its billing as the largest and one of the most complex liquidations in history, Reliance is well on its way to winding down and may

Reliance was founded in 1817 as the Fire Association of Philadelphia. Much has been written about the company's decline that resulted in it being declared "insolvent" by Court Order dated October 3, 2001; for a thorough review of the liquidation, please see Deborah Cohen's article in the *AIRROC Matters Special Edition on Insolvency*, Summer 2011.

David Brietling, the Chief Liquidation Officer appointed by the Pennsylvania Insurance Department (PID) and Keith Kaplan, Executive Vice President of Reinsurance, were two key members of the

another job when he was persuaded to stay. Since Reliance had been a prodigious buyer of reinsurance, managing reinsurance recoverables estimated to be approximately \$5.5 Billion (including ceded case reserves and IBNR) was a critical component of a successful liquidation.

Page 30: Katherine Barker, AIRROC Board Co-Chair; Keith Kaplan, Reliance; Joe Savage, Reliance; David Brietling, Reliance; Betty Barrows, Reliance.

Page 31: Keith Kaplan, Reliance. David Brietling, Reliance, Katherine Barker, AIRROC Board Co-Chair; Diane Myers, Munich Re; Mary Maier, Reliance.

At the beginning, PID and RIC senior management agreed on four objectives in managing the complexities of the estate. They had heard the complaints of regulators, policyholders, creditors, reinsurers, and politicians when it came to insurance company insolvencies in general, and were determined that Reliance would:

- 1) keep all stakeholders - policyholders, claimants, brokers, GAs, and reinsurers - informed through meetings, documents and regular reporting,
- 2) have a consistent process in place to gather data on claims

estimated \$7B of class (b) liabilities. The estate has processed over 99% of the 160k proofs of claim and has only about 7,200 claims remaining open (including 5,500 at the GAs).

In addition to Keith, key personnel in the reinsurance area included: Mary Maier, Assistant Vice President; Diane Meyers, VP and Director of Commutations (now with Munich Re); Kathy Lee, Senior VP Reinsurance Accounting; and Kathy Dougherty, VP Commutation Services. An imaging system was

perfectly situated to take full advantage of why AIRROC was formed in the first place: to give members a forum for discussion and resolution of legacy business issues and enhance communication both within and outside the industry. Keith remembers attending as many as 40 meetings in a 2 and a half day Commutation and Networking Forum and using every AIRROC meeting (including Board meetings) as an opportunity to pursue discussion of collection activity, dispute resolution, and commutation negotiations



- 3) get distributions and early access advances going out as fast as possible so that claimants and GAs got at least some money early, and
- 4) shorten the life cycle of Reliance versus the 20+ years of other large P&C insolvencies. Joe Savage, Senior Vice President Claims, Betty Barrow, Senior VP and Chief Actuary, and other senior management who have been at Reliance since the '80s, brought continuity and in-depth knowledge of Reliance products and systems to the task of marshalling assets and managing claims and reserves. Reliance now has a liquid asset base of \$5B and an

implemented early on and one important benefit was facilitating the reinsurance reporting process and accommodating every request for an audit by reinsurers. Senior management was able to develop a comprehensive strategic plan and consistent processes that served as the basis to bill reinsurers and to negotiate over 500 commutations dealing with over \$3B in reserves. They collected over \$4B in cash and recorded \$300M in off-sets.

AIRROC has been a key component in Reliance's strategy. Having been one of the original members, Reliance in Liqui-

so that AIRROC became a key strategic tool in reducing a huge long-term recoverable to a liquid asset.

Thus, it is fitting that after the first successful decade of service and growth, AIRROC pays tribute, in the first year of its second decade, to one of its founding members, Reliance Insurance Company in Liquidation, by naming it this year's AIRROC Person of the Year. The Award is proudly sponsored by Butler Ruben Saltarelli & Boyd, LLP. ●

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AIRROC Awards Trish Getty Scholarship

St. John's University Actuarial Science Senior Brian Kutza

For the fourth year, AIRROC awarded the Trish Getty Scholarship to a St. John's University student. This year's award recipient is Brian Kutza, who is a senior, majoring in Actuarial Science. In presenting the award, Marianne Petillo shared some remarks from the namesake of the scholarship, former Executive Director, Trish Getty. Although she wasn't able to be there in person, Trish applauded Brian for his accomplishments to-date and commented that she hoped to have the chance to meet him someday. Mr. Kutza has a 4.0 GPA at St. John's and is the Vice President of the Actuarial Club and the Community Service Chair of Gamma Iota Sigma, the fraternity for insurance, risk management, and actuarial students. He has already gained real-world experience, having interned at Berkshire Hathaway Guard Insurance in the summer of 2014. In addition to academic pursuits, Brian is very involved in his community and



has participated as a volunteer at his local food bank, in a recent walk for breast cancer awareness, as well as with university service days at his church.

The \$5,000 annual scholarship was established by the AIRROC Board of Directors in honor of Trish Getty, the founding Executive Director of AIRROC. It is awarded to a student at St. John's studying Insurance, Risk Management, or Actuarial Science who is in need of financial aid for tuition. In accepting the award, Mr. Kutza thanked the audience and explained how honored he was to have been chosen and how vital this type of aid is to help develop the next generation of talent for the insurance industry. He was able to attend the education sessions that AIRROC offered at the AIRROC NJ event and said that he learned a lot about legacy and would even consider working in the field once he graduates. ●

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AIRROC Supports “The House”

Fundraiser for Covenant House New Jersey



For the second year, AIRROC hosted a fundraiser for a worthy cause during the annual Commutations & Networking Forum at the Heldrich Hotel in New Brunswick, New Jersey. The event featured champagne, sparkling cider, and some decadent fall treats. It offered a way for attendees to take a brief respite from

their afternoon meetings and donate to a good cause.

AIRROC delegates cumulatively donated nearly \$400 to the organization, and AIRROC matched what was collected. In total, a gift of \$800 was collected. Since 1989, Covenant House New Jersey has been providing food, shelter, immediate crisis care, and an array of other important services to homeless, runaway, and trafficked youth between the ages of 18-21. Today there are 21 Covenant House locations in the USA, Canada, and Latin America serving more than 56,000 homeless young people each year. The law firm Carroll McNulty & Kull was the sponsor of the event.

Carolyn Fahey, Executive Director of AIRROC, said that hosting events like this is a way for “AIRROC to give back to other organizations.” Covenant House

was chosen as the beneficiary this year upon recommendation from one of the member companies. Covenant House hosts an annual “Sleep Out” that some of AIRROC’s members participate in to support the organization. “AIRROC was very pleased to host this charitable event, and I am grateful to all who contributed,” said Fahey. ●



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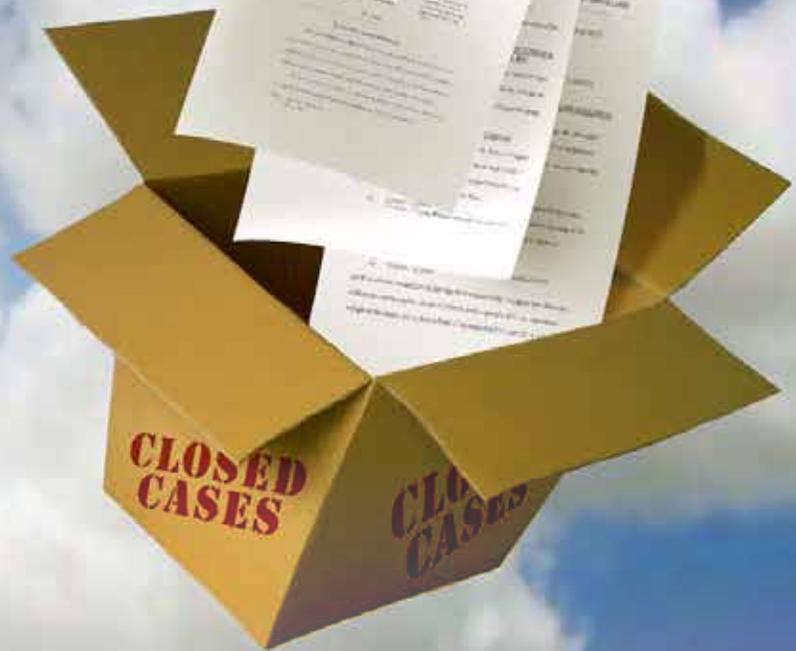
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