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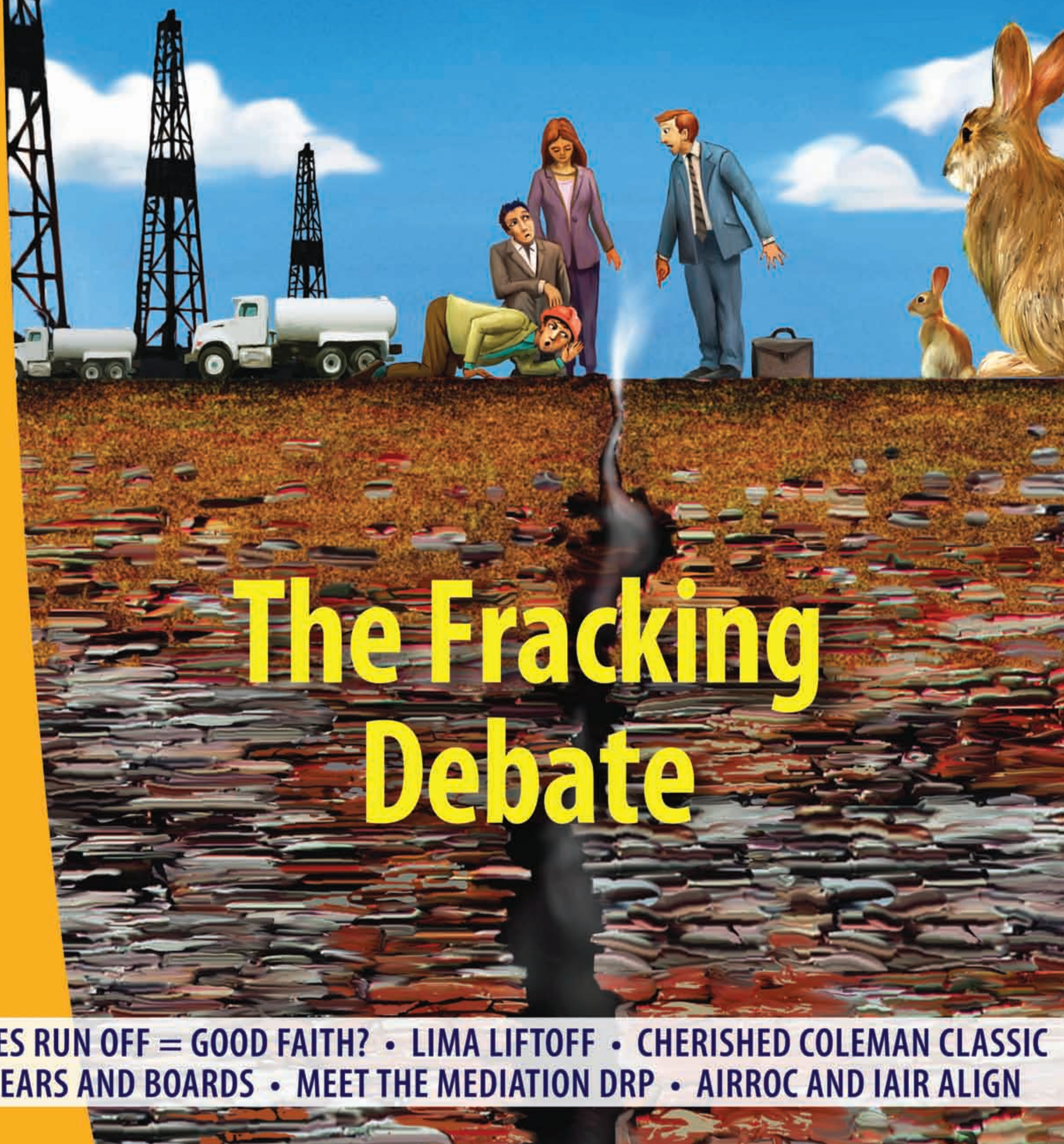
AIRROC matters

LEVERAGING LEGACY LIABILITY



The Fracking Debate

DOES RUN OFF = GOOD FAITH? • LIMA LIFTOFF • CHERISHED COLEMAN CLASSIC

BEARS AND BOARDS • MEET THE MEDIATION DRP • AIRROC AND IAIR ALIGN

Frack Attack

Peter A. Scarpato

A few years ago, no one heard about fracking. Any mention of the word would have evoked laughter over its similarity to its infamous Anglo Saxon sound-alike. Today, the fracking debate rages on, from state to state, entrepreneur to environmentalist, all wondering if this process of releasing natural gas from submerged rock is savior or slayer of the earth.

In his review of the book, *Fracking Risks and Rewards* by Barbara Hadley, Tom Rennell and Derek Austin, Jeffrey Grossman takes us cover-to-cover, with a synopsis of how this comprehensive work examines the geological to chemical to financial elements of this booming industry. Well-researched and informative, the book gives us a sense that the jury is still out. Of course, like everything else, there's the legal side. And in *Hydraulic Fracturing*, Fred Pomerantz, Andrew Scholz and James Macri survey the cracked landscape of cases, legislation and regulatory issues, predicting that insurance and risk shifting disputes are around the corner.

Joseph McCullough and Peter Steffen confront an issue lurking in the weeds but seldom expressed, *Is the Duty of Utmost Good Faith in Runoff*? Has the emergence of run off eroded this bedrock principle of reinsurance. Recent cases and arbitral awards beg to differ.

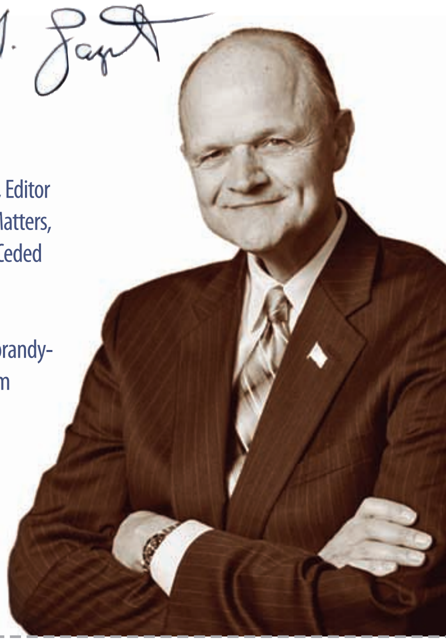
We asked our newest AIRROC Person of the Year, Anna Petropoulos, to provide perspective on a matter near and dear, the Vermont Legacy Insurance Management Act of 2014 (LIMA). With the help of Adam Lewis, Anna gives us *Test Drive the Future of Runoff,* a recitation of how LIMA modifies useful parts of Part VII to fit the Vermont and U.S. environments, creating the first U.S. law permitting transfer of runoff insurance and reinsurance business.

Growth and adjustment are hallmarks of any successful organization. In *Evolution*: *All Aboard the Board,* Connie O'Mara and Bina Dagar interview outgoing board members Keith Kaplan and Glenn Frankel, and incoming members J. Marcus Doran and me, on past accomplishments and future goals. Along with evolution, effective associations need dedicated leaders. In this edition, we are pleased to hear from our past and current Executive Directors. Trish Getty, driving force behind the initial growth of AIRROC and namesake of our Trish Getty Scholarship, recounts a visit with our 2014 honoree, Abigayle Claflin, and her grandfather in *Where Do Values Spring From?* And we have the Message from our current energetic and tireless ED, Carolyn Fahey. Entitled *Definitely NOT A Polar Bear…*, Carolyn outlines upcoming events and future innovations, including our mobile responsive website and AIRROC App.

If you're in run off you aren't far from disputes. AIRROC continues to offer more efficient alternatives to traditional arbitration. In *AIRROC Dispute Resolution: Adding Simplified Mediation to Your Toolbelt*, Frank Kehrwald and I present a streamlined mediation process for use by AIRROC members and nonmembers. And in *AIRROC / IAIR Pair Up for Progress,* Kathleen McCain discusses how she and Carolyn Fahey developed AIRROC and IAIR's second Joint Issues Forum at the NAIC meetings in Washington D.C.

And finally, Art Coleman revisits his classic piece, *Commutations – A Historical Perspective*, his collaborative, irreverent look at his original experiences with commutations, including a valuable step-by-step guide to this time-honored part of the business. End as always with Fran Semaya and Peter Bickford's Present Value and we're done.

Let us hear from you.



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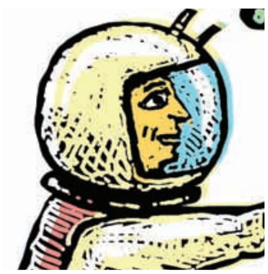


Illustrations / Rafael Edwards

AIRROC

Book Review:

Fracking Risks and Rewards

Defrocks the Facts of Fracking

Between 2006 and 2013, annual capital expenditure on shale gas extraction increased sixteen fold, from $5 billion to over $80 billion. Since 2007, the United States has added at least 27.5 billion cubic feet per day of shale gas to global energy production. Indeed, fracking is big business; and assessing the opportunities it truly holds, as well as the risks it poses, is also a large, complex and controversial endeavor.

In *Fracking Risks and Rewards,* experienced researchers and journalists, Barbara Hadley, Tom Rennell and Derek Austin, tackle the key facets of the shale gas industry through their careful presentation of facts; and provide readers with a thoroughly researched and well-written work. Industry stakeholders as well as the curious will, by reading this book, gain a valuable and broad understanding of the shale boom in its current state.

Initially, the authors devote substantial attention to the science of shale gas. Prepare to learn as *Fracking Risks and Rewards* thoroughly explains the geologic, hydrologic and chemical components of shale gas formation, exploration and extraction. Only when adequately prepared with this technical background may readers truly comprehend the potential economic opportunities, and the corollary environmental and safety risks (and how to mitigate those risks), associated with fracking the earth to extract natural gas.

Simply put, natural gas is formed when organic matter within rock formations is subjected to heat and pressure over very long periods of time. These rock formations are known as source rocks (the source of the gas) and are made of various shapes, sizes and geologic compositions. And while gas molecules formed in source rocks are very light and may migrate upward, sometimes to the earth's surface, much gas becomes "trapped" within various rock formations having low permeability. These could be the source rocks themselves, or rock formations sitting over the source rocks, closer to the earth's surface.

Conventional gas extraction has long existed, where quantities of gas have migrated upward from source rocks and collected beneath rock formations, known as a cap rock. This migrated gas forms an actual gas reservoir beneath the "cap rock." By drilling a single well through a cap rock to the surface of the reservoir, this conventional gas may be released and extracted.

Unconventional drilling, which includes fracking, occurs by going to the source rock itself and releasing the gas before it has migrated upward to a conventional reservoir. Because no reservoir yet exists for this source rock gas, its release is far more difficult, expensive and risky. One must create fissures within the source rock to provide pathways for the gas to migrate to a main well for extraction. The means and methods for creating fissures or fractures within the source rock gave rise to the industry term "fracking."

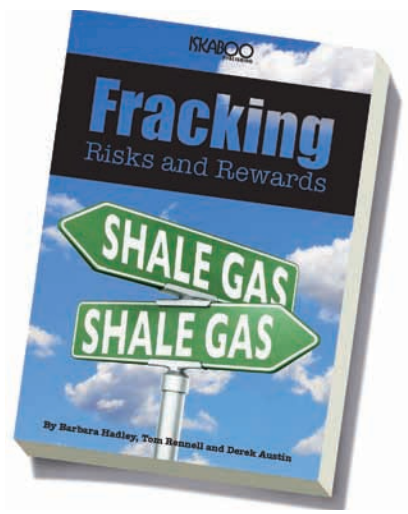
Although its technology and accompanying methods may vary somewhat, generally fracking occurs when a vertical well is drilled and a connected horizontal well or series of wells is added within a layer of source rock. Once the wells are completed, a mixture of water, sand and chemical agents (known as "slickwater") is then injected through the wells at high volume, pressure and velocity. This mixture then interacts with the source rock, creating fissures within the source rock itself. Gas molecules within the vicinity of these fissures are then "freed" and capable of migrating to the horizontal well and up through the vertical well for extraction.

After thoroughly explaining the science and technology of fracking, the authors lay out the facts and expose much of the fiction surrounding the economic opportunities.

In the United States, shale gas is repeatedly identified as the largest economic and national security opportunity available today. As proponents might describe it, domestic shale formations holding natural gas are plentiful and vast, and with proper investments in fracking operations, gas transportation pipelines, liquefying processes and energy efficiency, the United States will surely and quickly become energy independent as well as the worldwide leading energy exporter – thus safeguarding financial security and geo-political superiority for generations to come.

However, beneath this beautiful picture lies complex economics built upon many assumptions. Extraction and production is expensive, very expensive; and much of the industry is highly leveraged, financing operations on borrowed funds – including the issuance of junk bonds. Profitability is far from a given at this juncture, and the complexities of the global energy marketplace in general only add to the unknowns. Yet, there can be no doubt that fracking for natural gas holds much economic opportunity. In certain geographic regions, fracking is red hot and, overall, fracking is rapidly becoming a firmly entrenched sector within the broad energy market.

…beneath this beautiful picture lies complex economics built upon many assumptions.



The risks most frequently associated with fracking generally relate to water usage and environmental contamination. Water usage concerns arise from the massive quantities of water required to create fissures within the source rock. A single horizontal well, over its useful life, may use as much as 8.9 million gallons of water. With many geographic areas experiencing chronic drought, the benefits of gas extraction through fracking must be balanced with the risks of such high water demands. A related risk arises because most wells are serviced by tanker trucks bringing water to remote well sites. For example, the 8.9 million gallons of water mentioned above would require 1100 truckloads, drawing heavy trucking traffic over road infrastructures that are often unsuited for this purpose. States, counties and municipalities have begun mitigating this risk by requiring drillers to post bonds for anticipated road improvements and repair costs.

In addition to concerns over the massive quantities of water utilized to frack, the slickwater itself, and its disposal, creates the risk of environmental contamination. Although the additives within slickwater typically comprise only .5 to 2 percent by volume, these additives contain chemicals. Some are harmless: salt or citric acid, for example. Others, however, are toxic: benzene, other volatile organic compounds, and possible human carcinogens regulated under the Safe Drinking Water Act. And again, much is unknown because many energy companies consider their slickwater recipes propriety and will not voluntarily make disclosures.

By accident, or through less-than-ideal disposal techniques, slickwater may migrate into a drinking water supply. In addition, the gas product itself, which is mostly methane, may also contaminate water. Such adverse results have given rise to multiple lawsuits and regulatory actions.

Fortunately, many contamination risks may be avoided or at least mitigated. State regulators are increasingly targeting the primary risks, by focusing on requirements for well casings, increased disclosures regarding the chemical constituents of slickwater, and regulating its disposal. However, not all states are on equal footing and regulations widely vary from state to state.

Of course, the market itself may self-regulate and the insurance industry will likely play a significant role here by demanding higher standards of risk control in exchange for insurance coverage. Transportation vendors, construction contractors, well or pipeline owners and operators, and other industry players each holds a distinct risk profile, and each plays a key role in risk mitigation. The insurers and reinsurers covering

Fracking (continued)

these business operations will also play an important role in mitigating and spreading the risks of contamination and other hazards. The investors who see fracking as a capital growth opportunity should also be concerned with these risks and are expected to positively influence the industry by encouraging the companies in which they invest to fully understand, disclose and mitigate against risk.

Fracking Risks and Rewards provides a thorough, intelligent and balanced assessment of the fracking industry and its complex facets, for both the curious and professionals with a need to critically understand this important, evolving and dynamic energy sector. The reader emerges with the distinct sense that the fracking industry is not yet fully formed. Much remains unknown and unproven, and much must improve – in terms of efficiency, risk mitigation and profitability – before the bright future its promise reportedly holds may be realized. *Fracking Risks and Rewards* brings clarity to this complex energy sector. The book is published by Iskaboo and may be purchased online through www.iskaboo.co.uk and other vendors. ●

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Fracking Risks and Rewards

By Barbara Hadley, Tom Rennell and Derek Austin

(Iskaboo Publishing 2014)

139 pages, soft cover, may be purchased by AIRROC members at a discounted price of USD $51, regular price is $60. Please type AIRROC15 in the coupon field on the checkout page. http://iskaboo.co.uk.

Hydraulic Fracturing

A Retrospective of Key Legal Disputes in 2014 and Predictions for the Future

In 2014, hydraulic fracturing (“fracking”) remained a hot national topic. Often making headlines, fracking also made its mark in litigation where key battles wound their way through the courts. Reviewing just some legal developments confirms the industry faces unique, sometimes prejudicial, challenges despite continued growth.

For example, the Eighth Circuit’s decision in *Hiser v. XTO Energy*, 768 F.3d 773, illustrates how extraneous, prejudicial information in the media comes to the jury’s attention and influences litigation. A drilling company appealed an award for damages allegedly caused by vibrations from drilling. During deliberations, the jury asked whether the company was “drilling only or were they also fracking?” One juror stated that earthquakes and other negative impacts “caused” by fracking were also discussed. The jurors largely agreed that a pre-instruction fracking discussion occurred but disagreed about its scope and significance. Finding the trial court’s instruction eliminated the risk of prejudice, the Court of Appeals upheld the verdict.

It is not just negative press causing legal headwinds. High volume natural gas extraction involves a combination of risks and rewards that are ripening into various forms of legal disputes. Most commonly, disputes involve land use, contract and tort-based law[1] and, in 2014, various courts addressed several major issues. Our retrospective aims to provide insight into recent litigation trends and preview remaining, unresolved issues.

Contract Litigation

Numerous contracts are involved in natural gas extraction, such as landowner-energy company leases, contractor-subcontractor agreements and insurance contracts. Unsurprisingly, contract disputes dominated 2014 fracking litigation.

For example, in *Warren Drilling v. Equitable Production*, 2014 WL 1512699, an indemnification provision in a production company-drilling company contract was applied to an underlying water contamination claim advanced by certain landowners. The court determined the contract’s language wherein the producer’s duty to indemnify was plain and consequently was triggered by the contamination claim against the drilling company. The language at issue provided that the production company “shall assume full responsibility for and shall defend, indemnify, and hold Contractor harmless from and against any loss, damage, expense, claim, fine and penalty, demand, or liability for pollution or contamination.”

High volume natural gas extraction involves a combination of risks and rewards that are ripening into various forms of legal disputes.

The contract’s language was not restricted to “loss” or “liability” but extended the producer’s obligation to indemnify any “claim” or “demand.” Based on expert reports that subsurface chemicals caused contamination, the court determined the producer was contractually required to defend and indemnify the drilling company. The court held the provision’s broad language covering “any claim or demand” evidenced intent to expand Pennsylvania’s triggering rule to include potential liability rather than actual legal liability.

Lease length provisions in older landowner-energy company leases were commonly litigated. In fact, New York, Ohio, and Kansas courts each addressed *habendum* and/or *force majeure* provisions. These cases illustrate a potential for myriad disputes and the need for unambiguous contract provisions.

The Second Circuit certified questions on both clauses. *Beardslee v. Inflection Energy*, 761 F.3d 221. Due to unclear contract language, the court asked two "fundamental questions" of New York law: (1) "whether, in the context of an oil and gas lease, [New York's] Moratorium [on fracking] amounted to a *force majeure* event"; (2) "if so, whether the *force majeure* clause modifies the *habendum* clause and extends the primary terms" of gas leases.

In *DeRosa v. Hess Ohio Resources*, 2014 U.S. Dist. LEXIS 119587, the *habendum* clause was found to be clear and, as such, extended the lease despite a lack of infrastructure near a shut-in well. The court held a shut-in well was "capable of production" under the *habendum* clause notwithstanding a lack of nearby pipelines. The court did, however, release a section of land for failure to develop that portion.

Meanwhile, the Kansas Court of Appeals refused to cancel a contract due to alleged failure to develop, even though the energy company refused to drill for over 30 years and even though any well would be commercially unviable. *Novy v. Woolsey Energy*, 2014 Kan. App. LEXIS 68. The court refused to cancel the contract, reasoning that the lack of viability and drilling were insufficient to establish a breach of contract.

Future contract disputes are expected, particularly where older contracts are viewed through the prism of new fracking technology.

Legislation and Regulation

As nearly 20 states have permitted fracking, governments at various levels responded by passing statutes and regulations to govern the industry. Some governments, however, have not updated existing laws on gas extraction. Regardless, various legal challenges were made to new and existing laws.

One decision concerned the issue of "local rule" or, stated otherwise, whether municipalities could prohibit or limit fracking activities within their borders without running afoul of state and federal law. In a highly publicized case, *Wallach v. Town of Dryden*, 16 N.E.3d 1188, the New York Court of Appeals determined that localities were empowered to do so without preempting state law.

The decision was observed by many as critical because shale-rich New York was, at the time, in its final decision-making

Future contract disputes are expected, particularly where older contracts are viewed through the prism of new fracking technology.

process on applicable state fracking laws and regulations. Following that decision, however, New York's administration surprised many by announcing a ban on fracking,[2] becoming the only shale-rich state to outright ban the practice. The ban will likely result in litigation, including questioning whether bans constitute a "taking" under the U.S. Constitution.

Outside of New York, existing laws, as applied to new technologies, were also challenged. The Michigan Court of Appeals interpreted the regulatory definition of "injection well" as applied to modern fracking. *Hughes v. Department of Environmental Quality*, 44 ELR 20036. In relevant part, an injection well is defined as one in which fluids are injected for increasing hydrocarbon recovery. Finding that the word "increasing" meant injected fluids were used for secondary recovery, the court held frac wells are not injection wells and thus not subject to injection well environmental regulations.

In short, challenges continue under existing and new laws relating to fracking.

Private Rights and Claims

Along with contract disputes and legislation challenges, tort-based (e.g., property damage, personal injury and environmental) claims are repeatedly advanced by landowners and others. Creative plaintiffs assert various types of actions on traditional and unique damages theories.

In a Pennsylvania environmental/property damage case, plaintiffs seeking to impose strict liability argued that fracking is an "ultra hazardous" activity. Using Pennsylvania's six factor test, the court, however, found that plaintiffs failed to demonstrate that the practice was ultra-hazardous. *Ely v. Cabot Oil & Gas*, 2014 WL 4071640. The court's decision notwithstanding, we predict plaintiffs in other states will seek to advance this theory given its potential reward, if successfully proven.

Furthermore, defendants are asserting various affirmative defenses in an effort to limit exposure. For example, in *Chesapeake Appalachia v. Cameron International*, 2014 U.S. Dist. LEXIS 123307, defendant, a drilling equipment supplier, sought to limit liability under the "economic loss rule." The court found the rule inapplicable under Oklahoma law because the service agreement at issue created a "special relationship" with the drilling company. As a result, claims for negligence, products liability, and negligent misrepresentation were allowed to proceed.

Meanwhile, Texas courts addressed two types of damages that plaintiffs seek in fracking cases. First, the Texas Supreme Court refused "stigma" damages for lost property value after property contamination had subsided. *Houston Unlimited Metal Processing v. Mel Acres Ranch*, 443 S.W.3d 820. After expressing doubts about recoverability of stigma damages in general, the court found evidence of such damages was insufficient where plaintiff's expert's methodology was determined flawed.

Hydraulic Fracturing (continued)

Next, an appellate court in *Crosstex North Texas Pipeline v. Gardiner*, 2014 Tex. App. LEXIS 12343, remanded a nuisance action's high jury award. In the underlying case, a noisy compressor station was built next to plaintiffs' property. The jury awarded plaintiffs $2 million in damages. The court remanded the damages amount where evidence demonstrated the defendant chose an isolated location for the compressor station, relied on expert reports, employed sound mitigation technologies and continually sought to limit the sound.

Finally, private claims are sometimes asserted outside the tort system. As an interesting example, a Pennsylvania court decided a matter involving First Amendment free speech rights versus the fracking industry's rights to maintain trade secrets. Specifically, frac fluid includes certain additives recognized by many state governments as trade secrets. A doctor, called upon to treat patients exposed to said fluids, challenged a so-called "gag rule" prohibiting disclosure of the fluids' contents outside the confines of treatment. The court dismissed the doctor's challenge essentially on lack of standing. *Rodriguez v. Abruzzo*, 2014 WL 2940450. The court also rejected an argument that the inability to treat chemical exposure patients constituted a cognizable injury.

After expressing doubts about recoverability of stigma damages in general, the court found evidence of such damages was insufficient where plaintiff's expert's methodology was determined flawed.

Conclusion

Hydraulic fracturing's national controversy and rapid growth in recent years has created an environment ripe for various legal disputes, many of which remain undecided. For example, few cases have addressed the role of insurance in the context of fracking. Given the number and types of lawsuits being filed against various industry players, however, we predict insurance-based and risk-shifting-based disputes will ripen within the next year and beyond.

For updates and developments on legal challenges faced by the industry, please refer to Goldberg Segalla's blog, www.shalewatchblog.com. ●

Endnotes

1 Thomas F. Segalla, Andrew J. Scholz, and Matthew D. Cabral, A First Look at the Coverage Implications of Hydraulic Fracturing, 22:34 Ins. Coverage (Jun. 1, 2012).

2 Thomas Kaplan, Citing Health Risks, Cuomo Bans Fracking in New York State, New York Times (Dec. 17, 2014); available at http://www.nytimes.com/2014/12/18/nyregion/cuomo-to-ban-fracking-in-new-york-state-citing-health-risks.html?ref=nyregion&_r=0.

From left: Frederick J. Pomerantz and Andrew J. Scholz are Partners and James D. Macri an Associate at Goldberg Segalla. fpomerantz@goldberg-segalla.com, ascholz@goldbergsegalla.com, jmacri@goldbergsegalla.com

Is the Duty of Utmost Good Faith in Runoff?

For centuries the venerable duty of utmost good faith has served as a bedrock principle of the reinsurance industry: a standard that has set reinsurance contractual relationships apart from other commercial transactions governed by "caveat emptor."

However, a number of commentators in the industry have questioned whether the duty of utmost good faith has been in decline in our modern era. Is a reinsurer still entitled to rely in blind faith on a cedent's representations? Does a cedent still have an affirmative duty to volunteer all material facts to its reinsurer during placement? And after the contract is signed? Or must a reinsurer spend time and money investigating its cedent's representations as well as its underwriting, accounting and claims practices to verify compliance with the treaty's terms?

This article examines how today's courts and arbitration panels are interpreting and applying the duty of utmost good faith. There are relatively few court decisions examining the duty of utmost good faith, primarily because the vast majority of reinsurance contracts require the parties to resolve their differences in private arbitration. And because arbitration awards are rarely made public, and most are in any event not reasoned awards, there are few published awards that specifically address the duty's modern day application. We examine below several court decisions in recent years that have addressed the duty of utmost good faith as well as two reasoned, unanimous arbitration awards (made public in court proceedings) that examined the duty's requirements. To paraphrase Mark Twain, reports of the demise of the duty of utmost good faith are greatly exaggerated.

Court Decisions in Recent Years

As of the publication of this article, the most recent reported court opinion referencing the duty of utmost good faith is *Associated Industries Insurance Company v. Excalibur Reinsurance Corp*., 13 Civ. 8239, 2014 U.S. Dist. LEXIS 169163 (S.D.N.Y. Nov. 26, 2014). In this dispute, the cedent sought to confirm in part and vacate in part an arbitration award. For the portion it sought to vacate, the cedent alleged that the arbitration panel exceeded its authority in granting the reinsurer 10-15% discounts on some of the claims at issue. The cedent contended that the follow the fortunes doctrine obligated the panel to award 100% of each claim. Essentially, according to the cedent, if a claim was valid, the arbitrators did not possess any discretion to partially discount the amounts the cedent was entitled to receive.

In the arbitration, the reinsurer argued that deficiencies in the cedent's claims handling constituted a violation of the duty of utmost good faith. While the panel did not find those deficiencies sufficient to relieve the reinsurer of most of its liability for the claims in question, the court ruled that the panel could award a discount because the cedent "did less than it should have to meet its good faith obligation to its reinsurer." *Id.* at *20.

In response to the cedent's argument that its reinsurer was obliged to fully follow the fortunes of the cedent's deficient claims handling, the court specifically referenced the duty of utmost good faith, writing that the follow the fortunes doctrine is not "applicable where the cedent fails in its duty of good faith, which requires it to protect its reinsurer's interests as if they were the cedent's own. Reinsurers 'are protected by a large area of common interest with ceding insurers and by the tradition of utmost good faith, particularly in the sharing of information.'" *Id.* at

*14 (quoting *Unigard Sec. Ins. Co., Inc. v. North River Ins. Co.*, 4 F.3d 1049, 1054 (2d.Cir. 1993)).

In a rare case of a jury trial involving issues arising under a reinsurance contract, the court in *AXA Versicherung AG v. New Hampshire Ins. Co.,* 05-cv-10180 (S.D.N.Y. 2008) squarely addressed the obligations the duty of utmost good faith imposes on cedents. Federal District Court Judge Jed Rakoff issued the following jury instruction:

> All parties who enter into contracts have a duty not to misrepresent the material, or important, facts and, more generally, to operate in good faith toward one another. But because reinsurers are not involved in underwriting the underlying policies (that is, in investigating the risks and negotiating the terms of the underlying policies), a primary insurer owes a particular duty to his reinsurer to disclose to the reinsurer those facts, known to the insurer but unlikely to be known to the reinsurer, that are "material," that is facts that a reasonable insurer understands that a reasonable reinsurer would need to know to assess the risks of the reinsurance. This duty to disclose is sometimes referred to as the duty of "utmost good faith," but what it really comes down to is the continuing duty of an insurer in these circumstances and under these conditions to disclose these material facts to the reinsurer even if the reinsurer has not asked for them.

The jury found in favor of the reinsurer, rescinding the reinsurance treaties and awarding punitive damages as well.

On appeal, however, the Second Circuit reversed the lower court's decision, holding that despite the cedent's fraudulent conduct the applicable New York statute of limitations barred the reinsurer's rescission claim:

> We hold that [the reinsurer] was confronted with a clear "storm warning" in August 1998, as well as additional facts through 2000, "such as to suggest . . . the probability that [it] ha[d] been defrauded," thereby triggering a duty of inquiry. AXA's failure to engage in that inquiry imputed to it knowledge of the alleged fraud and renders its fraudulent inducement claims time barred.

In recent years, two notable arbitration awards addressing the obligations imposed by the duty of utmost good faith have been made public in court filings.

AXA Versicherung AG v. N.H. Ins. Co., 391 Fed. Appx. 25, 29 (2d Cir. 2010) (internal citations omitted). The primary "storm warning" referenced by the court was the addition of language to the final draft of the treaty wordings which were signed by the lead underwriter's deputy that arguably would have tipped off the reinsurer to the fraudulent scheme. The broker did not bring to the deputy's attention the newly added sentence (in an article where, the reinsurer argued at trial, one would never have expected to find it) and instead, the reinsurer argued at trial, led the deputy to believe that all modifications to the final wording had been brought to the reinsurer's attention and had been approved. The deputy testified that she did not notice the added sentence to the wordings. However, the court did not expressly address the duty of utmost good faith and instead focused on a contracting party's duty to read thoroughly a contract before signing.

In the past two years, a pair of court decisions have addressed the requirements of the duty of utmost good faith in the context of late notice of claims. In most states, a reinsurer is required to demonstrate that it was prejudiced by the cedent's late notice. In these two recent decisions, however, courts have held that the reinsurer is entitled to relief without a showing of prejudice if it can demonstrate that its cedent acted in bad faith or failed to act in accordance with its duty of utmost good faith.

In *Ins. Co. of the State of Pa. v. Argonaut Ins. Co.*, 12 Civ. 6494, 2013 WL 4005109 (S.D.N.Y. Aug. 6, 2013), the reinsurer was relieved of its burden to prove it was prejudiced by late notice by demonstrating that the cedent acted in bad faith by not providing timely notice. The court wrote that: "While recognizing that the modern relationship of reinsurers and their reinsureds may no longer be characterized by utmost good faith, the Second Circuit (in *Unigard*, cited above), nevertheless concluded that …"a very high level of good faith – whether or not designated 'utmost' – is required to ensure prompt and full disclosure of material information without causing reinsurers to engage in duplicative monitoring."' 4 F.3d at 1054. In the late notice context, this means that a cedent must implement "routine practices and controls to ensure notification to reinsurers." *Id*. at 1070. Notably, the *Argonaut* court held that there need not be "deliberate deception" for a reinsurer to be relieved of its burden of proving prejudice. 2013 WL 4005190 at *13.

In *Granite State Ins. Co. v. Clearwater Ins. Co.*, 09 Civ. 10607, 2014 WL 1285507 (S.D.N.Y. March 31, 2014), where the cedent failed to give its reinsurer notice of claims until after those claims had already been settled – and the reinsurer had a right to associate in the control of claims - the court held that such notice after settlement was untimely. *Id*. at *19. The court also ruled that "no reasonable jury could conclude that Granite State met its duty of utmost good faith" when it entered into settlements without notifying Clearwater. The court relieved the reinsurer of any liability for the settlement without requiring the reinsurer to prove prejudice.[1]

Arbitration Awards Addressing the Duty of Utmost Good Faith

In recent years, two notable arbitration awards addressing the obligations imposed by the duty of utmost good faith have been made public in court filings. The first is a 2007 unanimous 40-page arbitration award issued by three highly respected reinsurance arbitrators in a

[1] The case is currently under appeal.


You don't
have to be
the biggest to
be The Best.

Utmost Faith (continued)

reinsurance dispute between the same ceding companies which were parties to the jury trial before Judge Rakoff (discussed above) and another of their reinsurers on the same business.

> Although a reinsurer cannot ignore obvious errors or omissions in the cedent's disclosures, and will not be allowed to rely on them, reinsurers are not required to evaluate reinsurance submissions under the assumption that they are other than complete and accurate. In other words, reinsurance is not and cannot be a game of "Hide-and-Seek", or "20 Questions", where the reinsurer is required to review the cedent's submission with a suspicious mind, or the investigative powers of a Sherlock Holmes, to ferret out the truth. Said another way, reinsurance provides no safe haven for the maxim caveat emptor or even sharp practices that are more common in other business relations. To the contrary, reinsurance is a business that requires and needs utmost good faith, and that starts with the cedent in its submission to prospective reinsurers.

In re Arbitration Between New Hampshire Ins. Co., et al. and Lloyd's Syndicate 435/D.P. Mann, Aug. 31, 2007. Among a long list of improper acts, the ceding companies' broker had failed to disclose to the reinsurer's representative that crucial language had been added to the contracts, and the panel condemned that maneuver as a violation of the duty of utmost good faith:

> As part of the implementation plan, [the cedents' London broker] put some pressure on [the reinsurer's] contract wording specialist, without contacting the underwriter to whom the business was broked, and without identifying let alone explaining the change – which in London is pejoratively termed a "pick up". Without noticing the unexplained change, [the reinsurer's] contract wording specialist executed the contracts on behalf of [the reinsurer] within days. The cedents' broker did not identify let alone explain to the reinsurers the major change to what it knew and had told [the cedent and the US broker] was the broke.

Id. The panel awarded the reinsurer rescission *ab initio*. Notably, in contrast to the Second Circuit's "storm warning" ruling, the panel did not find that the unannounced inclusion of language in the final treaty wording "should have" been caught by the reinsurer.

In a 2012 arbitration involving the same parties to the jury trial before Judge Rakoff, the reinsurer brought claims for post-contract formation breaches of contract and fraudulent acts. The highly experienced 3-member panel unanimously ordered the cedents to refund overbilled claims that had been improperly "grossed up" (for example, in one year increasing the reinsurer's treaty participation from 20% to nearly 73%, which obviously greatly reduced the cedents' net retention for claims in the working layer). While the panel did not refer expressly to the duty of utmost good faith when it roundly criticized the actions of the cedent and its agent, it made reference to the cedents' duty to communicate material facts – here, the grossing up - clearly to its reinsurer and found that the cedents' agents had made "confusing, indeed perplexing written communications" that relieved the reinsurer of any obligation to investigate such clues to uncover the grossing up. In awarding the reinsurer $1 million of exemplary damages, the panel explained its reasoning:

> The evidence in this arbitration is overwhelming that time after time [the cedent] opted for the obscure and imprecise communication rather than the clear and the explicit … They dealt with the most fundamental aspect of this reinsurance relationship, *i.e.* the nature of the reinsurance transaction and the participation therein.

In re Arbitration Between New Hampshire Ins. Co. and AXA Verischerung AG, July 27, 2012.

Conclusion

As one commentator has written, the duty of utmost good faith means that that "one party cannot, without cause, take actions to elevate its interest above those of the other." Robert M. Hall, *Utmost Good Faith in the Reinsurance Relationship,* robertmhall.com, 2014. While this duty may evolve as the industry itself changes, recent court opinions and published arbitration awards demonstrate that the duty of utmost good faith is still being enforced with vigor both in courts as well as arbitrations and remains a cornerstone of the reinsurance industry. ●

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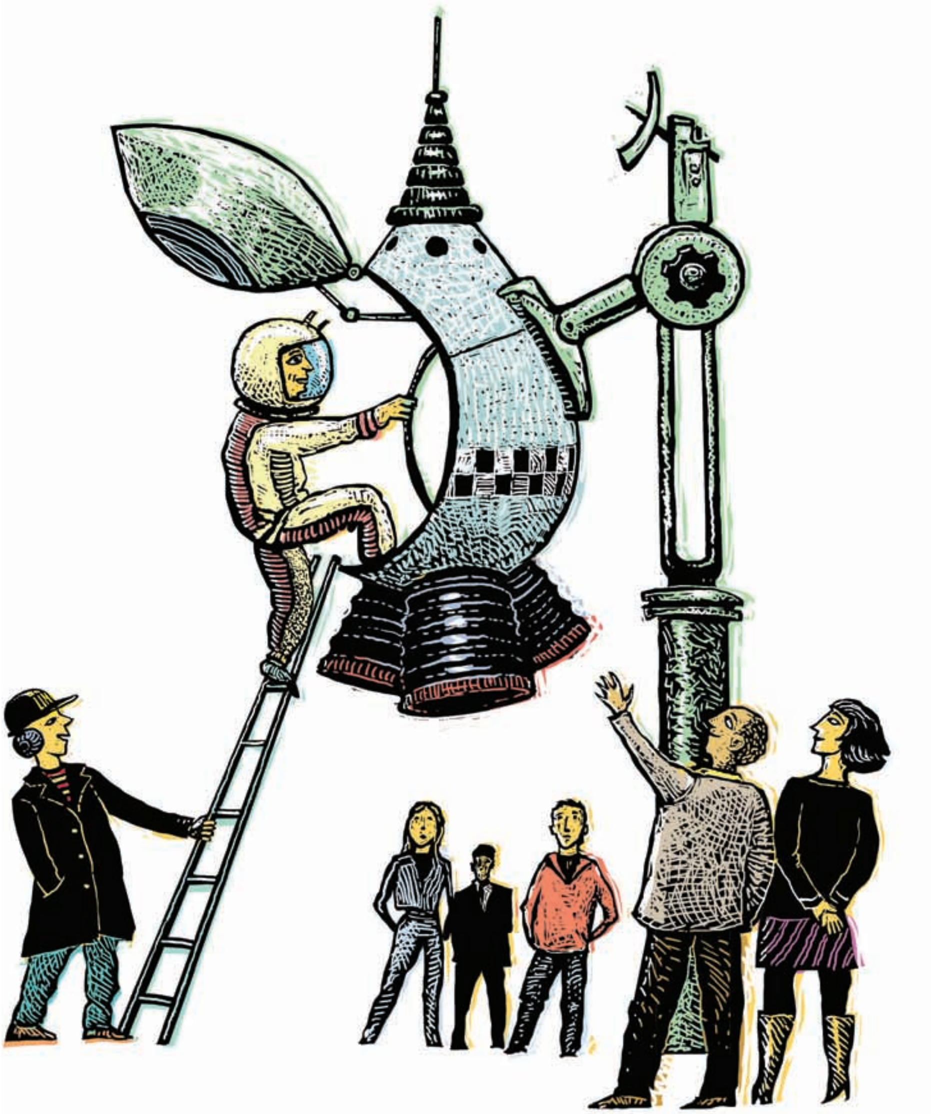
Test Drive the Future of Runoff

The Vermont Legacy Insurance Management Act of 2014



Companies and investors in the runoff space are generally aware that the State of Vermont's new Legacy Insurance Management Act (LIMA), signed into law on February 19, 2014, has created a novel runoff business transfer method in a runoff market that has long been in need of growth and innovation, but the Act, its background and its potential applications have only begun to be appreciated.

Under LIMA, insurers and reinsurers that have exited a particular market or ceased to write a class of risk may divest the relevant liabilities to companies that are established for the specific purpose of managing such risks, relieving themselves of the associated financial and regulatory reporting obligations and potentially liberating capital reserves. Other applications—e.g., internal restructurings and consolidations of pools—have drawn growing interest. LIMA creates a flexible, powerful process under a sophisticated, responsive and growth-oriented regulator, but above all LIMA creates new opportunities in the runoff market for insurers and reinsurers, service providers and potential new investors, such as foundations, institutions and trusts. Companies that take early advantage of the LIMA opportunity will benefit in the short term by executing innovative transactions and in the long term by shaping the growth of the new market sector.

The established methods for shifting liability for runoff business are familiar: reinsurance and loss-portfolio transfers offer relative speed and familiarity, but do not provide the legal and financial finality that most auditors will require in order to reflect the transfer in financial statements. The Part VII process, while providing a legally and financially enforceable transfer, can be slow and inflexible, with the progress of any transfer dependent on the attitude and the workflow of the FSA and the courts. Based on the UK and global insurance sector experience of Anna Petropoulos (AIRROC's 2014 Person of the Year), LIMA adapts useful aspects of the Part VII process to the Vermont and U.S. legal and market environments to create the first U.S. law that enables transfers of runoff insurance and reinsurance business:

Scope and flexibility. LIMA allows an insurer or a reinsurer to transfer a block of business (personal and compulsory areas are excluded: e.g., life, health, automobile and workers' compensation) to a new entity. The transferring company is not required to re-domicile or become subject to Vermont or U.S. jurisdiction.

Finality. An approved LIMA transfer effects a statutory novation of the transferred business to the assuming company, providing financial, accounting and legal finality to the transferring company, affected policyholders and reinsureds and the assuming company.

Regulatory process; management and compliance. LIMA provides for a streamlined review process and swift action by the regulator. After approval, the assuming company will manage the transferred business according to a portfolio-specific plan developed in consultation with the regulator during the review process.

Consent and opt-out. LIMA allows affected policyholders and reinsureds to opt out of a proposed transfer. This provision was necessitated by the state-by-state structure of the U.S. insurance environment, but the result reflects the trend in non-U.S. markets, where mandatory transfers are increasingly expensive and time-consuming to enforce. Absent an express opt-out notice, affected parties are deemed to have consented to a proposed transfer (as per existing insurance novation laws in Vermont and other U.S. jurisdictions).

LIMA augments the profile of the State of Vermont's experienced and progressive insurance regulation department, which is already a leader in the captive insurance space with more than one thousand captives registered. The Commissioner of the Vermont Department of Financial Regulation, Susan Donegan, is familiar to her colleagues in the U.S. and abroad as an especially experienced and sophisticated regulator, due to her international work and travel on behalf of the National Association of Insurance Commissioners, and has already established a team of professionals to oversee LIMA transactions. Anna Petropoulos, as the original proponent of LIMA and the founder and president of Apetrop USA, Inc., an adviser and service provider concentrating on transactions in the runoff and legacy insurance space, has built on the drafting and passage of the Act by engaging with the Commissioner and her colleagues regarding the LIMA process. Based on those discussions, prospective transactors and advisers should note the following:

Regulator engagement. The Commissioner prefers early contact and engagement on an informal and limited-information basis early in a transaction's development and continuing through the submission and review of a transfer plan. In general, the authors recommend that prospective transactors make initial contact with the regulator in advance of a specific transaction; to date, we have advised several clients in connection with preliminary discussions, with excellent results.

Reputation. One of the regulator's leading concerns will be reputation: comfort with the reputations of the transferring company and the assuming company on the one hand and the preservation of the reputation of Vermont as an insurance jurisdiction on the other. Among other things, the regulator must be comfortable with the management and capital structure of the assuming company. Early engagement, as noted above, can only help the transaction parties earn the regulator's confidence.

In recent years, two notable arbitration awards addressing the obligations imposed by the duty of utmost good faith have been made public in court filings.

Capital structure. Runoff companies and investors will note the regulator's indication that reinsurance, letters of credit and other non-cash reserve structures will constitute acceptable capital arrangements for assuming companies.

Early action advantages. While LIMA is a new law and the regulatory process is evolving, there is an opportunity for companies and investors to shape the review process and the form of the transfer plan by engaging the regulator, as noted above, about transfer plan forms and procedures, capital reserve requirements and other sector concerns.

LIMA is a powerful tool for the benefit of insurers, reinsurers and investors, which, applied prudently, will grow in market significance to match the established methods for transferring runoff and legacy portfolios. Early contact, communication and participation can provide significant advantages to companies in the runoff space considering LIMA as a transfer method and, in the long term, will only help the U.S. runoff market grow and mature. ●

Anna Petropoulos (anna.petropoulos@apetropusa.com) is the President of Apetrop USA, Inc. She founded Apetrop Ltd., a service provider to the insurance and reinsurance industry based in the UK, in 1999 and has more than 30 years' experience in the London and international markets gained with risk carriers and brokers. Apetrop Ltd. was at the forefront in the successful management of portfolio loss transfers, discontinued lines and accelerated closure. Before founding Apetrop Ltd., Anna held the position of Director of Reinsurance at CNA in London. Her previous employers include MFK Underwriting, Willis Faber Ltd, Scottish Lion Insurance Company and Sphere Drake Insurance Ltd. Anna founded Apetrop USA, Inc., in 2010. Based on her extensive knowledge of the successful management of portfolio loss transfers and other types of accelerated closure, she spearheaded the introduction of LIMA as an economic catalyst for Vermont. In 2014 AIRROC named Anna Petropoulos its 2014 Person of the Year for her contributions to the runoff sector, including the development and passage of LIMA.

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Evolution

All Aboard The Board

As reported in the last issue, the AIRROC Board welcomes two new members, J. Marcus Doran and Peter Scarpato, and bids farewell to Keith Kaplan and Glenn Frankel. We are confident that Keith and Glenn will continue their support and active involvement in AIRROC. Peter and Marcus bring lengthy experience with the organization to their new roles. Examining both sides of the evolution, we asked the departing members to look back and the new members to look forward. Here is what they told us.

Glenn Frankel and Keith Kaplan look back

1. What qualities and skills did you find you used most in your tenure on the AIRROC Board?

Keith: The unique thing about AIRROC as a trade association is that its membership and Board are a diverse group with diverse, and even oppositional, interests. Consequently, the ability to collaborate and relate to folks with a different frame of reference than your own is particularly important. On a practical level, all I have really done is just apply general business acumen and experience to the committee work as well as to the broader strategy and planning exercises undertaken by the Board as a whole. Finally, and while this might seem trite, we all have significant day jobs, so time management skills are essential to keep up with deadlines and provide a quick turnaround on various requests, reports and projects.

Glenn: The AIRROC Board is comprised of enormously talented professionals and high-quality oriented individuals. It was truly a pleasure and a privilege to work with an easy, fun, and talented group for the past four years! It may sound somewhat simplistic, but time management is perhaps the most critical skill set, as all Board members have full-time jobs. It is enormously important to diligently and methodically carve out time to dedicate specifically to AIRROC work. In addition, it is imperative that a Board member be creative and imaginative. The runoff world is ever changing, and if AIRROC is to continue providing quality service to its members it must constantly evolve.

2. What were the most important accomplishments or initiatives undertaken by the Board during your tenure?

Keith Kaplan

Glenn Frankel

Keith: As a founding Board member, I can point to many things. Right out of the gate, we made a decision that "membership has benefits," meaning unlimited free admission to membership meetings (which include education seminars) and regional events plus one free admission to the flagship October event. The October event itself began in our first year with some uncertainty as to how it might be received; yet it was a smashing success from the beginning and has proven to be a very valuable forum for the attendees over the years. Also, early on, we began producing AIRROC Matters on a quarterly basis, which continues to be one the best publications of its kind in the industry. More recently, we expanded membership categories and created the DRP process. As I left the Board, we announced a Mediation program and a Certified Legacy Professional designation to be launched in the near future.

Glenn: During the last few years, primarily under Carolyn Fahey's unrelenting leadership, energy and guidance, AIRROC has moved forward on a number of key initiatives. I think that the creation and implementation of the AIRROC DRP and Mediation Procedures was particularly critical. The Board identified a gap/need in the marketplace and created these Procedures to provide professional, efficient, cost-effective services to the industry.

3. What are the three most important goals for the future of AIRROC?

Keith: Continue to put on quality education programs. Grow the membership.

And, as Jonathan Rosen said when he stepped down from the Board several years ago, "stay relevant."

Glenn: Stay relevant. Listen to and continue to engage its members. Continue to offer high quality, pertinent educational opportunities.

J. Marcus Doran and Peter Scarpato look forward

1. What particular experience and/or skills do you bring to the Board?

Marcus: In the course of my career I have been a "jack of all trades," working on direct claims, reinsurance matters, as well as accounting and finance projects. With my varied experience, I am keen to find solutions that work for the greatest number of people. Over the past few years I have been a part of the Education Committee and have helped develop some timely and informative education panels. I've enjoyed it because it allows me to bring forward an issue that I, and others, want to learn about.

J. Marcus Doran

Peter: Having been in the run-off business since 1985, and having worn many different hats, as lawyer, company representative, arbitrator, mediator, negotiator and editor of AIRROC Matters magazine, I feel I bring not only my experience in those roles but a network of contacts I have made over the years. In particular, as editor of the AIRROC magazine, I have tapped into that network and followed the concerns of our members since the beginning so we could keep the magazine relevant and useful. As an author and speaker myself, working with other authors, members and speakers at our conferences has helped me understand where AIRROC has been, where it is going and how it can continue its successful support of its constituents.

2. What would you view as the most important goals for AIRROC going forward?

Marcus: Having been a part of AIRROC since its inception, I've seen it grow and evolve. I would like to see AIRROC keep pace with the changing times, issues and perspectives, so that it continues to be a vibrant and productive forum for our members to resolve the issues of the day. Keeping that original intent of companies engaging in dialogue with one another in mind, we must aim to welcome more of our colleagues to join in the process. With continued growth and reach in mind, we must invite more companies, both ongoing and in run-off, to take part. We have some work to do in promoting AIRROC and its wealth of experienced and bright people as a development opportunity for less tenured staff and in enlisting them to participate in AIRROC initiatives and gain greater industry exposure.

Peter Scarpato

Peter: I think it is essential that we stay in touch with the business and grow with the changes in the business. To do that, we need to keep in touch with members and understand what their needs are. We need to figure out how to get their ideas, their compliments, their criticism and their concerns so we can serve as an educational source, but also a resource and catalyst for ideas and solutions to issues going forward. Finally, I would be remiss if I didn't mention that we, the Publication Committee members, must keep changing and broadening the coverage and look of AIRROC Matters to ensure that our members keep looking forward to reading it.

3. Are there things that you think should be changed going forward?

Marcus: AIRROC has been pretty successful thus far, so I don't know that wholesale changes are needed. Moreover, I just joined the Board so I am still getting my feet wet. AIRROC's website offers good potential. Continued development and leveraging of our technology should be on the agenda, along with educational materials, distance learning and networking resources. I welcome our members to let us know what changes are important to them.

Peter: We *have* changed and evolved over time and I think Carolyn Fahey has been a driving force of that change, bringing to fruition successful programs and services. I think I need some time to see what the Board has on its current agenda. I close the "Editor's Note" in each issue of the magazine with the phrase "Let us hear from you" and my single most important goal going forward is to listen very closely to the members so we can change as their needs change. ●

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Definitely NOT A Polar Bear…

Carolyn Fahey

Message from the Executive Director

After another very cold winter, I have decided that unlike a Polar Bear, I have not adapted to easily live in COLD temperature environments…

The good news, however is that by the time this article is published we should be well on the way to seeing the first flowers of Spring poking through the ground… and AIRROC has a lot to look forward to in 2015.

The Spring Membership Meeting was at Chadbourne & Parke's new offices in New York City. The education day featured a session titled "The 'Ins and Outs' and 'Ups and Downs' of Worker's Compensation Commutations: Motivations, Pricing and Disputes." We also heard an interesting and informative discussion on "Current Trends in Buying and Selling Runoff Businesses and Blocks."

We have our first workshop of the year on April 17 in Princeton, New Jersey; "The Future of the Duty of Utmost Good Faith" presented in conjunction with Freeborn & Peters. We are also planning our first international event in more than three years – the AIRROC London Regional is being held on May 12 at the offices of Clyde & Co.

Also VERY noteworthy:

- The searchable AIRROC DRP Arbitrator list is now available to the public on our website.
- AIRROC is becoming more "tech-savvy" in 2015 – our website is now mobile responsive making it more efficient for our members and supporters to use their smart phones and tablets to stay up-to-date.
- We are launching an AIRROC App which will be available for the first time for the July Membership Meeting.
- We are hard at work on our own designation – we will soon be accepting applications for the Certified Legacy Insurance Professional (CLIP) designation. ●

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

Where Do Values Spring From?

Trish Getty

In October 2014, AIRROC announced the third recipient of the Trish Getty Scholarship to a St. John's University student. The annual award was established to honor the organization's founding Executive Director. The 2014 honoree, Abigayle Claflin, and her grandfather recently met Trish for lunch…

Abigayle Claflin, our 2014 recipient of the Trish Getty Scholarship Fund at St. John's University, wanted to meet me since I was unable to travel to New Jersey to present the award to her at the Commutation Event in 2014. Hallelujah, since I love to meet and learn about the recipients. Abigayle was home in Tennessee for winter break so her grandfather, Norman Turcotte, drove her to Atlanta to meet me for lunch.

I thoroughly enjoyed meeting Abigayle and learning more about her desires in business. Her grandfather, however, almost stole the show with his charm and stories! He is 80 but looks 60, and in great shape. His vegetable gardens are his joy. What impressed me most was the work ethic of Abigayle's family from grandparents and parents down to her. That's what America is made of.

Abigayle has one and a half years left in her studies at St. John's. Since she is Catholic, the time she spent at mass at St. John's at 5:30 PM was somewhat of a respite from the "nose at the grindstone" in studies, etc. She plans to work in the U.S. for a couple of years after graduation, then move to Europe for a while. When she talked about this, her grandfather's head dropped; she knows that grandfather doesn't like the idea.

Abigayle has worked part time at Allianz. The company is sending her to Switzerland for a month this June (when she will turn 21) for further experience in the international market. We talked about travels throughout Switzerland.

It has been a wonderful experience to meet Abigayle and we plan to meet again along with her parents. ●

AIRROC Dispute Resolution

Adding Simplified Mediation to Your Toolbelt

Frank Kehrwald &
Peter A. Scarpato

Disputes, be they between companies, agents, insureds, cedents or reinsurers, cost large dollar amounts, exhaust significant time and emotional energy, damage important relationships and often now require the use of expensive electronic discovery experts to locate and preserve discoverable documents. Legal expenses for a material dispute can readily top $1 or $2 million per side. Add to this outside legal expense the internal time and e-discovery expense and one can readily see that total dispute costs for both sides for a material, but relatively small dispute, can easily exceed $5 million.

One would think that sophisticated reinsurance partners would fully appreciate the impact of these financial and non-financial costs, and find a way to either reduce them voluntarily in ongoing proceedings or reach out and resolve them via negotiation. Sometimes they can; but often, they don't have the tools or experience necessary to make this happen. Moreover, neither side wants to be the first to suggest a streamlined procedure, because the parties now cannot agree on anything, or raise the topic of settlement, fearful that it is a sign of weakness.

AIRROC has developed several important tools to reduce both the friction and financial costs of disputes while preserving important relationships between the parties. The first AIRROC Dispute Resolution Procedure (DRP) tool was a simplified, single-umpire arbitration process. The DRP arbitration tool has been the subject of numerous AIRROC education roll-outs and mock umpire presentations, making members and non-members fully aware of its advantages and "user friendly" procedures. The DRP simplified arbitration tool has become a fairly well-recognized, well-utilized (and well-copied) process which emphasizes its usefulness. It covers all of the elements necessary to initiate, run, and conclude a streamlined, effective arbitration at a small fraction of traditional arbitration costs.

Taking a very similar approach, AIRROC has now endorsed a simplified mediation process as a further valuable tool for members and non-members to narrow and resolve apparently unresolvable disputes. On September 24, 2014, the AIRROC Board of Directors adopted a resolution approving the endorsement of a streamlined mediation process for use by AIRROC members and non-members. The AIRROC simplified mediation procedure, like its DRP twin, includes the following key characteristics:

- Initiation of AIRROC Mediation Proceedings form
- Available AIRROC mediator selection
- Suggested basic mediation procedures to include specifically permitted ex parte communication with the mediator
- AIRROC fees ($1,000 for members, $2,000 for nonmembers)
- Mediator fees of $150/hour
- Entirely confidential discussions

Why Consider Mediation?

Simplified mediation, like simplified arbitration, is a very useful tool for a variety of reasons:

- an experienced mediator can suggest a nearly unlimited variety of mediation methods and processes which can be readily modified to best fit the parties and the nature of the dispute;
- experienced mediators bring a fresh third-party view, tools that help parties see the dispute from a new perspective, and ultimately enable parties to clearly appreciate the strengths and weaknesses of their case (which can be more apparent to a third party);
- an experienced mediator can determine whether the parties are too firmly fixed in their positions, or the variance between them is too wide (after learning the strengths and weaknesses of their positions), or whether they can each take steps to narrow the gap between them to achieve either a settlement or a more simplified dispute;
- the relatively small expenditure of time and money needed to proceed with a simplified mediation (often one day or less), generally using materials readily available to the parties;
- an experienced mediator's ability to preserve the existing relationship between the parties and enable each party to better understand the nuances of the other party's position;
- the possibility of pursuing both simplified mediation and simplified arbitration in one or more than one proceeding.

We all may have had experiences where mediation worked well and where it was less successful. If either party does not fully embrace the potential benefits of mediation or otherwise remains fully entrenched in its position, mediation can be less successful. But given the relatively small expenditure of time and money required for simplified mediation, AIRROC encourages members and non-members to consider simplified mediation for what it is: an additional, very simple, inexpensive and useful tool for potentially resolving disputes. ●


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AIRROC / IAIR Pair Up for Progress

Kathleen M. McCain & Carolyn Fahey

Co-host Second Joint Issues Forum at the Winter 2014 NAIC Meeting

AIRROC and IAIR co-hosted their second Joint Issues Forum in Washington D.C. at the NAIC Winter Meeting. The two organizations worked together to plan sessions that are of interest to both association constituencies. IAIR Issues Forum chair, Kathleen McCain, and AIRROC Executive Director, Carolyn Fahey, spearheaded the development. The agenda included a diverse set of topics and speakers.

Resolution Planning: New Developments and Insurance Perspectives on Living Wills

Patrick Hughes, Senior Director from Alvarez & Marsal, and Samuel Proctor, Associate with Debevoise & Plimpton, offered their perspectives on the recent Dodd-Frank requirement that bank holding companies with total consolidated assets of $50 billion or more and certain non-bank financial companies submit resolution plans to outline what the companies will do in case of a financial collapse. Resolution planning is an attempt by the regulators to have better controls in the current post-financial crisis operating environment. Pat and Sam discussed several sections of the Dodd-Frank bill in particular that pertain to the AIRROC/IAIR audience. The first round of plans have been submitted and the government is in the process of trying to learn from the information provided and identify ways to navigate the complexities of the insurance business. In order for this to be successful, the Federal Government will need to find ways to work within the corporate structures to determine how to best utilize the information that has been included, and determine if there will be changes to the information needed in the future. *More info: Patrick Hughes phughes@alvarezandmarsal.com; Samuel Proctor, seprocto@debevoise.com*

What's on the Reinsurance Regulatory Landscape?

Matthew Wulf, Vice President, State Relations, and Assistant General Counsel of the Reinsurance Association of America, provided an overview of the state of the reinsurance market and the issues that the reinsurance industry is focused on. In a time of record levels of capital in the reinsurance industry – partly due to the influx of alternative capital – he posed the penultimate question: How long will it last? The RAA is also very focused on terrorism risk and the role of the private market. At the time of the presentation, TRIA was in motion in Congress, though it has subsequently been reauthorized until 2020. Reinsurers are also waiting to see what actions, if any, the Federal Insurance Office will take related to "covered agreements" and collateral requirements. Addressing international issues at the state level, there is an effort to amend the NAIC Model Holding Company Act (subsequently completed) to add specific authority for state regulators to act as the "group-wide supervisor" for internationally active insurance groups. The majority of states has now passed the most recent version of the NAIC Holding Company Act. Getting them to "reopen" the issue in the U.S. state-based regulatory system is likely to be challenging. *More info: Matthew Wulf, wulf@reinsurance.org*

Vermont's Legacy Insurance Management Act: How Will it Work?

IAIR and AIRROC were honored to welcome Susan Donegan, the Commissioner of the Vermont Department of Financial Regulation, and Anna Petropoulos, President of Apetrop USA and AIRROC's 2014 Person of the Year, to share their insights about Vermont's new Legacy Insurance Management Act (LIMA), which was signed into law in February 2014. As Anna explained, LIMA is based in part on the concept of Part VII insurance transfers in the UK, where legacy and runoff portfolios have been transferred between companies for almost two decades. Vermont is well-known and respected as a leader in the captive industry and generally has a nimble and responsive regulatory structure, so being a pioneer in the runoff space was a logical extension of the DFR's established profile. The law is designed to be flexible and Vermont is willing to work with each company to make the transfer a win-win for all involved. Susan presented an overview of the regulatory process that Vermont has in place for LIMA. The estimated timing for the LIMA transfer process from start to finish is four to six months. Anna spoke to the business side of the LIMA concept and described the concept 's origins. Under LIMA, each transfer is structured and approved individually, so there is no statutory minimum capital surplus or mandatory administration scheme; such items will be set on a portfolio-specific basis. Anna also noted that there is a requirement that the domicile regulator of the transferring entity provide a letter of no objection to the transfer because the purpose of LIMA is to promote stability and predictability on all sides of the transfer. *More info: Anna Petropoulos, annapetropoulos@apetropusa.com*

AIRROC / IAIR (continued)

Clockwise from upper left : Susan Donegan, Carolyn Fahey, Jim Mumford, Matthew Wulf and Anna Petropoulos.

Penn Treaty Rehabilitation Plan

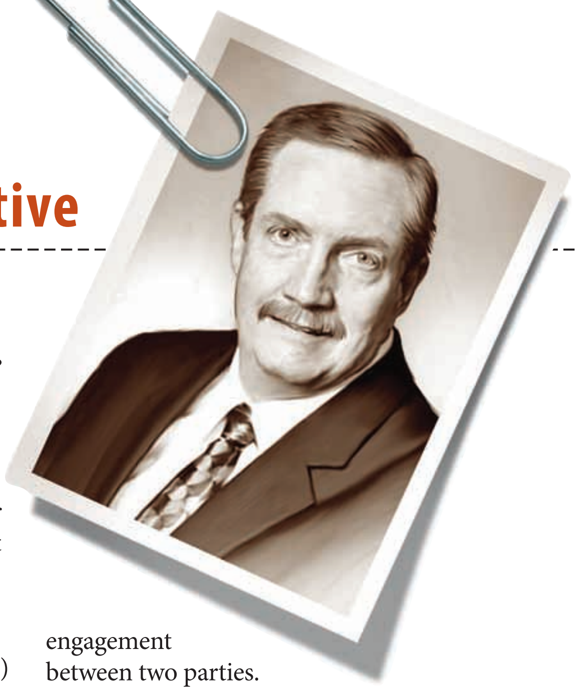
Patrick Cantilo, the Special Deputy Rehabilitator (SDR) of the Penn Treaty companies (PTNA and ANIC) reported on the status of the rehabilitation. Penn Treaty began writing long-term care business in the 1970's, experiencing great growth. In 2001, when the risk-based capital (RBC) requirements fell below the regulatory requirement, the company cut back on writing new business, and worked to restructure their products to attempt to counteract the problems that caused the RBC decline. Ultimately, the company ceased writing new policies in 2008 and consented to rehabilitation in January 2009. When PTNA's and ANIC's financial condition appeared to be much worse than expected, the Pennsylvania Insurance Commissioner moved to place the companies in liquidation in October 2009. A long process of litigation between the Pennsylvania Insurance Department and the parent company ensued that included the court's denial of the Insurance Commissioner's application to liquidate. The court required the Commissioner to work with the company to prepare a rehabilitation plan – the initial plan was filed in April 2013. Nearly all comments submitted to the initial plan were critical, which sent the parties "back to the drawing board". A policyholder committee and other interested parties have worked with the Insurance Commissioner and the SDR to try to find a viable solution. This resulted in the filing of an amended plan last October that is now in the comment period with the expectation of a hearing in Summer 2015. *More info: http://www.penntreaty.com/Rehabilitation/CourtDocumentsandInfo.aspx*

NAIC News and Committee Updates

James Mumford, First Deputy Commissioner of the Iowa Insurance Division, offered his parting words to the IAIR/AIRROC audience as he prepares to retire. Jim has been a "regular" speaker on the IAIR Issues Forums for many years. In his parting words of advice, he reflected on the need for the players on any issue to work together. In many situations the interested parties have the same goal and progress can be made when they work together. He used receivers and guaranty funds as an example – they have the same focus on protecting policyholders. Any disagreements are relatively small when viewing it from a big picture stance and they have generally worked together to resolve disagreements as quietly as possible, which benefits all in the end. Keep your eye on the end-game! The NAIC Receivership Model Law Working Group (formerly the IRMA Critical Elements Advisory Group) is another example. Its focus is to identify common areas that all interested parties can support. No matter what the source of the language, this group will try to find a way to make it efficient and acceptable to most. In closing, he said that this is the third time he has retired (but obviously wasn't very good at sticking to that goal). He has thoroughly enjoyed his job – insurance is not a boring industry anymore!

Kathleen M. McCain is Senior Counsel in the Regulatory and Administrative group of Michelman & Robinson, LLP, in California. kmccain@mrllp.com

Commutations – A Historical Perspective



When the opportunity arose to put together an article for AIRROC Matters on the historical perspective of commutations, I agreed as long as: (a) it could be a bit irreverent to the sacred beliefs of our industry, and (b) I could seek collaboration. As you will see, they agreed to both points.

I decided to go back to 1986 when I was hired at Continental Insurance as the Director of Reclamations. You may ask, as I did, "what's a Reclamation?" (Imitate Groucho Marks "Viaduct? – Why not a Chickena?") While it was a fancy word for collections, settlements and disputes, it is where I experienced commutations for the first time.

My first commutation was a relatively small one, at the time being just under $600k. I recall that it was comprised of $100k in balances, $350k in undiscounted reserves and $250k of something called IBNR (which for a while I believe meant I Bought No Reinsurance! – I have now come to know that IBNR is determined with a blindfold and a dartboard!). We had to do something called "discount the reserves for the time value of money". Not really knowing how to do this I found that one of the guys in the office had a piece of shareware software on a 5 inch floppy disk (hey, remember – it was 1986) that allowed you to calculate mortgage rates and present value (the other side had Ms. Pacman). Well, we did it and got the deal done for $575k. We never looked back from there – well maybe a bit! So, to be fair to you, the reader, I reached out to some of my peers to divulge a few of their memorable commutations. Some of the responses were unprintable, while others expressed quite a bit of anger (so much for the "win-win" school of thought!). Others though, hit the mark right on the head.

The first entry comes from someone you all know, but has pleaded anonymity, as have the rest of the contributors.

Some years ago, I was working for a ceding company that was engaged in a dispute with a number of its reinsurers on a particular treaty. An arbitration was pending, but in the spirit of good faith and reconciliation, the parties agreed to meet to consider commuting the treaty participations. The reinsurers had been acting callously and with considerable disregard for their obligations, I thought; I am sure that they thought our company had treated them poorly (or worse) in how the treaty was operated. Nevertheless, old bonds of friendship (and business-like pragmatism) prevailed, and we scheduled our meeting.

Early in my career I was told once that reinsurance was defined as an honorable engagement between two parties.

The meeting was to take place at the office of the reinsurers' lawyers. Twelve representatives of the reinsurers were to attend, plus two of their lawyers ... and me. Clearly, the logistical planning had been unsound.

I was met in reception by the junior lawyer on the case. It seemed like a ten-minute walk through maze-like corridors to get to the conference room. As he was about to open the door, this lawyer looked me in the eye and said, "Ah, I am now bringing the lamb to the slaughter." I then entered the room where the twelve reinsurance men were all smiling broadly. They may have been pleased to see me, or optimistic of a conciliatory settlement, but I had no ability to recognize any of that. The two lawyers were also smiling, as if to suggest: "This dispute will put our children through college." The meeting lasted twenty minutes and was an absolute fiasco.

Approximately a month later, we met again. Lawyers were forbidden from any participation in the meeting, which was held in one of the reinsurers' offices. We commuted the treaty.

Early in my career I was told once that reinsurance was defined as an honorable engagement between two parties. I later heard reinsurance defined as an honorable engagement between two parties, their auditors, lawyers and external actuaries. I think the latter definition speaks to how our business really works.

Our next submission comes from one of the great collection/commutation people in the industry.

In the 1980s, an alien pool closed down and sent a letter telling us we needed to go direct. We dutifully broke out the pool and started sending direct notices of loss and bills. One of the smaller players sent us a letter from their President saying he was going to be in Chicago and would like to meet us. When he arrived, he was accompanied by two other gentlemen who were there to translate for him.

We calculated the value of the deal, paid, case and IBNR at about $3,000. After the preliminaries and the revelation of the amount he asked his cohorts if they happen to have $3,000 on them so we could do the deal. My colleague who was also in the meeting had earlier pointed out that the President was sporting a rather nice Rolex Crown Ambassador watch.

We therefore proposed we would do the deal for his watch (which we figured we could fence on Van Buren Street for a least $5,000). The guy laughed and said he was serious about the deal and we said we were serious about taking his watch!

Many years later his cohorts were in our offices on another matter and I went in to say hello. We had a good laugh over the failed "watch deal" but I had to ask why the President wouldn't do it. They told me it was because the watch wasn't insured!!

Art Coleman (with a little help from his friends)

This article originally appeared in the Summer 2007 AIRROC Matters.

Step-by-Step

The following is an excerpt from the "Practical Guide to Commutations" which breaks down the process into simple step-by-step instructions. [1]

1. Evaluation

A commutation will affect each party's financial condition, which should be measured before entering negotiations. For example, if the reinsurer is not carrying adequate reserves or IBNR provisions, the settlement amount could adversely impact the reinsurer's surplus.

2. Qualification

Both parties should set a cut-off date to be used in the presentation of balances, reserves and IBNR. Additionally, a timetable should be agreed incorporating:

- Who will reconcile liabilities and by what date?
- Who will prepare the IBNR study & when will it be ready for review?
- When will negotiations commence?
- Who will prepare the Commutation Agreement?
- By what date should the commutation be concluded?

3. Identification

All the information regarding each pertinent contract, policy or certificate must be gathered prior to valuation. In identifying exposures consider the following:

- Do the contract years run concurrently? Are there gaps and can they be explained?
- Have the parties to the contract changed names or was the business fronted?
- Was the reinsurer part of a pool or represented by an MGA?
- Does the broker have complete records that could fill any information gaps, such as reference numbers?
- Is the broker holding any pipeline adjustments or funds?
- Are there current Letters of Credit ["LOCs"]?

4. Valuation

When pricing the commutation, valuation usually consists of four components:

1. Paid Loss Recoverables
2. Outstanding Loss Recoverables
3. Incurred But Not Reported ["IBNR"]
4. Cash Credits (LOCs, Trusts, Cash-onhand, etc.)

Reconciling Paid Loss Recoverables at the agreed cut-off date should be an area of little contention unless there is a contractual dispute. It is usual for an actuarial or claims team to review the reasonableness of established case reserves. Understanding the cedant's reserving philosophy will help to determine future case reserve development and IBNR.

An actuarial or claims team can help to determine projected frequency and severity of claims for IBNR purposes by reviewing the following:

- Loss Development Analysis (Triangulation)
- Inception-to-date experience
- Type of business (proportional, treaty or facultative)
- Class of business (property, casualty, accident & health, etc.)
- Limits and attachment points (working or high layers)

There needs to be credit for the time value of money. This and other credits should be treated as a deduction to the net commutation amount or discounted accordingly.

5. Negotiation

Successful negotiations are performed by those who know the business, as well as other factors such as:

- Know your counterpart – how knowledgeable are they of the business being commuted?
- Be prepared — have all the material available in an organized manner.
- Have a number in mind — establish the highest and lowest amounts you consider acceptable. Your target figure should be somewhere in the middle.
- Understand the other side's strategy — consider their motivation for cutting a deal, their financial condition, or issues that will affect their position.

For the deal to be successful there should appear to be a "win-win" scenario for both sides.

6. Agreement

It is advisable to get legal counsel to draw up or at least review the Commutation Agreement, which should include:

- An exhibit identifying the contracts to be commuted.
- Incorporate any name changes the parties may have undergone.
- Restrict circulation of the document and terms, via a confidentiality clause, to those that have a right to know.
- Specify the date, method or payment and terms for execution of the agreement, including releasing any LOCs or Funds Held.
- Name the jurisdiction that would apply in the case of a dispute to the agreement.

Mistakes are costly and difficult to undo, so careful consideration and planning is necessary at each stage to produce a favorable outcome.

[1] *These notes should not be treated as a substitute for obtaining legal advice specific to a particular commutation.*

Another funny point; we submitted the deal to our central corporate HQ for approval … and it was REJECTED!!

Well, like they say, timing is everything! Knowing the two guys referenced in the story, they certainly would have received more than $5,000 for the watch.

Some deals have happy endings (for some) as can be seen in the next entry.

Back in the late 1980s I was in the rural UK doing an audit trying to support what we believed to be an exorbitant Commutation offer from the Cedant. We knew they were hurting but the price $55M they were asking was ridiculous! Unfortunately, our review of the claims was telling a story that supported their position. Then our fortunes changed!

It was Friday and after a quick (?) lunch at the nearby Pub, we were back at the office and attending to the after effects of the Pub in the "Gents". As we were doing our business, two fellows, who I later found out were from the Accounting Department, were talking and one said, "You know, I don't think we're going to be able to make payroll next week due to cash flow." A smile came across my face.

We walked into the MD's office and offered $20M by close of business the following Monday, $10M the following January 3rd and $10M the January 3rd after that.

Historical Perspectives (continued)

We did not mind the 8 hour flight home that evening!

They say that the doctrine of "caveat emptor" means, "let the buyer beware". Knowing the two parties involved, this was certainly a "win-win" scenario.

This next story was one of my favorites and shows that there really is a humane side to our industry (it's not frequently shown — but it is there nonetheless).

Late 1980s lower Manhattan, mid-afternoon and I had a 3 p.m. appointment with a gentleman from a German reinsurer that was in run-off. There is a monsoon of a thunder storm going on and I realize that the meeting will probably be late.

I had been going over my financials and was thinking that I would have a hard time getting the $300K that was my wish list amount never mind my walk-away number of $250K from this reinsurer.

At 2:58 p.m. I receive a call from the front desk advising that my visitor has arrived. When he gets to my office there is a man that could not have been wetter if he stood for an hour under Niagara Falls without an umbrella. We tried to dry him off with paper towels but why bother!

Anyone who thinks that the business of run-off is boring just is not having enough fun!

This gentleman sits down in my now replaced chair and states that his company is in run-off and while appearing to be (and probably was) very uncomfortable he advises that he is only willing to pay $500K for the commutation.

This could have been the fastest commutation on record. We asked if he had reviewed the business and if he was sure of his price. He then advised that if pushed there was probably a bit more that could be had but he would have to go back to management for approval.

My associate and I stepped outside on the premise of getting him more towels and some coffee. We agreed that to take more than $400K from him would be in really bad form. We actually had to argue with him to get him to pay the lower amount!

It seems that today, we use phrases such as exit strategies, solvent and insolvent schemes and that the business seems like more of an exact science than it was back in the day. The best lesson we can probably learn from the past is that the best deal is not necessarily the one where the numbers are right – the lesson is that this is still a people business and relationships make for better deals.

Anyone who thinks that the business of run-off is boring just is not having enough fun! ●

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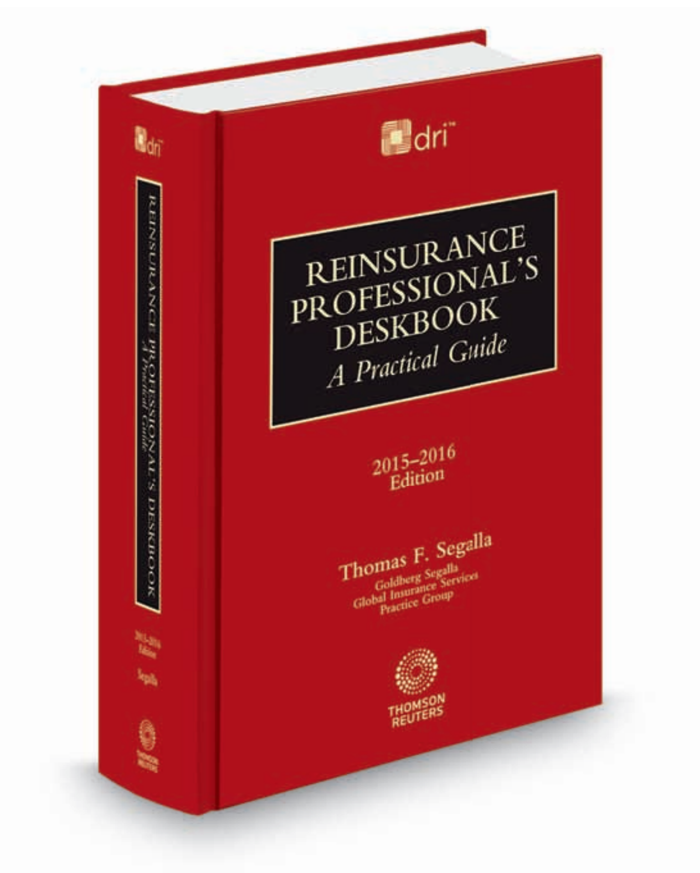

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News & Events

Regulatory News

TRIA

On February 4th, Federal Insurance Office Director Michael McRaith released guidance on how insurers should deal with the 12-day gap in terrorism coverage created when Congress failed to reauthorize the extension to TRIA before it expired on Dec. 31, 2014. There is concern that many of the policies issued under the prior Act expired or were cancelled as of December 31st because TRIA was not timely reauthorized. The guidance provided that insurers have until April 13th to issue proper disclosures to policyholders and required filings to regulators. The guidance stated that insurers are not required to provide a revised disclosure to policyholders if the insurers offered coverage for insured losses prior to January 12. For further information, please see *Interim Guidance* on www.treasury.gov/fio

FIO is also seeking public comment regarding potential improvements to the process for certifying an event as an "act of terrorism" under the current TRIA legislation. Comments are due by March 6.

TRIA Extension

On January 12th, President Obama signed into law the Terrorism Risk Insurance Program Reauthorization Act of 2015 (the "Act"), which had expired on December 31, 2014 because the Senate failed to authorize the bill before the recess. The Act includes several significant changes from the previous Act, including: it increases the amount needed in total losses under the previous Act from $100 million to $200 million, increasing $20 million per year beginning in 2016; it raises the amount of the federal government's mandatory recoupment from $27.5 billion to $37.5 billion, increasing by $2 billion each year beginning Jan. 1, 2016; and in total for all events, the Act raises the private industry recoupment from 133% of covered losses to 140% of covered losses.

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 flsemaya@gmail.com or Peter Bickford at pbickford@pbnylaw.com.

The law also included National Association of Registered Agents and Brokers (NARAB II) legislation that establishes a permanent NARAB, which should ease the current burden faced by producers doing insurance business across state lines. NARAB will be governed by a board of state insurance commissioners and industry representatives.

Federal Insurance Office (FIO)

Reinsurance Report

On December 31st, the Federal Insurance Office released its delayed report on the global reinsurance market. The Report refers to reinsurance as "vital" to the economic stability of the United States. Although the report identifies five key benefits that reinsurance provides to the insurance industry, the consensus has been that the Report did not go far enough. Based on the Report itself, it is difficult to determine what policy changes should be made by insurance regulators and Congress with regard to reinsurance. *For a more detailed discussion of the state of reinsurance in the United States, including an analysis of the FIO reinsurance report, look for the reinsurance article in the upcoming Summer edition of AIRROC Matters.*

Financial Stability Oversight Council (FSOC)

On February 4th, the Financial Stability Oversight Council adopted significant changes to its procedures relating to its process for reviewing non-bank financial companies for potential designation. Pursuant to Title I of the Dodd-Frank Wall Street Reform and Consumer Protection Act, FSOC is authorized to identify and designate individual non-bank financial companies that could pose a significant risk to the U.S. financial stability. Such designated non-bank financial companies are then subject to consolidated supervision by the Board of Governors of the Federal Reserve System and enhanced prudential standards.

National Association of Insurance Commissioners

At a special meeting of the National Association of Insurance Commissioners ("NAIC") held on February 8th, Missouri Insurance Director John M. Huff was elected as NAIC President-elect. The position became vacated when former Pennsylvania Insurance Commissioner Michael F. Consedine resigned from his post. Director Huff served a two-year term as the first NAIC representative to the Financial Stability Oversight Council.

The NAIC hired Christina Urias to the new position of International Insurance Regulatory Affairs Managing Director, which reports directly to the NAIC CEO, to oversee the International Insurance Regulatory Affairs Division of the NAIC. Ms. Urias served as the Director of the Arizona Insurance Department from 2003 to 2012.

Industry News

After a relatively slow period of insurer M&A activity through the Fall of 2014, activity picked up substantially at year-end, culminating in late January with the blockbuster merger of **Axis Capital Holdings Ltd. ("Axis Capital")** and **PartnerRe Ltd. ("PartnerRe")**. The merger will result in a stock swap totaling nearly $11 billion, with PartnerRe shareholders owning 51.6% and Axis Capital shareholders owning 48.4% of the company. The merger is expected to be completed in the second half of 2015, and will result in the combined company being among the top five largest reinsurers in the world. Commenting on the merger, Albert A. Benchimol, current CEO of Axis Capital, who will retain that position in the combined company, stated: "The combined company will have three strongly positioned businesses – a top-five global reinsurer, a $2.5 billion specialty insurance underwriting business, and a highly successful and growing life, accident and health franchise – all with increased strategic flexibility."

Before the late January announcement of the Axis/PartnerRe blockbuster transaction, the new year got off to a major start with the announced $4.1 billion acquisition by Dublin based **XL Group plc (XL Group")** of Bermuda domiciled insurer and reinsurer **Catlin Group Limited (Catlin")**. According to XL Group's press release on the acquisition: "Following the completion of the transaction, the name of the parent company of the combined group will remain XL Group plc, and the newly combined company will be marketed as XL Catlin, reflecting the strong reputation of both brands." The combination will create a top 10 reinsurer with expanded alternative capital capabilities." The transaction is expected to close in mid-2015 subject to shareholder and regulatory approvals.

This winter also saw a number of other significant transactions, including the following: In December 2014, **Ace Ltd.** announced that it was acquiring the high-net-worth personal lines business of **Fireman's Fund Insurance Company** from **Allianz S.E.** for $365 million. The transaction is scheduled to close in the second quarter of 2015 subject to regulatory approvals.

Also in December, Hong Kong based **Fosun International Limited ("Fosun")** agreed to purchase Michigan-based **Meadowbrook Insurance Group, Inc. ("Meadowbrook")** in a transaction valued at about $433 million. After the acquisition, scheduled to close in the second half of 2015, Meadowbrook will continue to operate as a stand-alone entity from its Michigan location, while providing Fosun, one of China's largest conglomerates, with access to the US property and casualty market.

People on the Move

Maryann Taylor, a member of the AIRROC Publication Committee and Assistant Editor of AIRROC Matters, recently rejoined D'Amato & Lynch, LLP as a Partner in their reinsurance department, where she started her career in 1985. Maryann concentrates her practice on reinsurance and insurance regulatory matters. mtaylor@damato-lynch.com

Nicholas Horsmon, an Associate in the New York City office of Mound Cotton Wollan & Greengrass, has become a member of the AIRROC Publication Committee. nhorsmon@moundcotton.com.

Sandra M. McDermott has joined the law firm of Goldberg Segalla as a Partner in its Global Insurance Services Practice Group, and will practice from the firm's offices in Manhattan and in her hometown of Syracuse. Before joining Goldberg Segalla, she was a Partner at Wilson Elser Moskowitz Edelman & Dicker LLP in New York. ●

SPRING 2015 MARK YOUR CALENDAR

March 28–31, 2015
National Association of Insurance Commissioners (NAIC). Spring National Meeting
Phoenix, AZ
www.naic.org

March 29, 2015
International Association of Insurance Receivers (IAIR) Issues Forum
Phoenix, AZ
www.iair.org

April 17, 2015
AIRROC Workshop: "The Future of the Duty of Utmost Good Faith" (NEW DATE)
Princeton, NJ
www.airroc.org

April 17, 2015
New York City Bar Association, ABA/TIPS & IFNY "Current Issues in Insurance Regulation 2015"
New York, NY
www.nycbar.org/cle

April 21–22, 2015
Runoff and Commutations Forum / ACI
New York, NY
www.americanconference.com/runoff

April 29–May 1, 2015
ABA Tort Trial & Insurance Practice TIPS Section Conference
Philadelphia, PA
www.americanbar.org/groups/tort_trial_insurance_practice.

May 6–8, 2015
IRLA Annual Congress
Brighton, UK
www.irla-international.com

May 12, 2015
AIRROC London Regional
London, England
www.airroc.org

August 14-17, 2015
National Association of Insurance Commissioners (NAIC)
Summer National Meeting
Chicago, IL
www.naic.org

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