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Reinsurance Section Encounter

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Evans in the Spotlight

by Gordon J. Lahti, CPCU, ARe, ARM

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Extra special congratulations are extended to our *RISE* editor Bruce D. Evans, CPCU, ARe, who was recognized as the featured month of May "Visibility Spotlight" by the Society.

Bruce received this special recognition as a result of his efforts to "Spread the Word!" about the Society by wearing CPCU apparel while winning the regional table tennis doubles tournament in the Texas Senior Olympics. Bruce is now qualified into the state's doubles competition; he has earned a gold and a silver medal in his age group's Texas competition during the past two years while sporting his CPCU attire.

I mention Bruce's most recent achievement because he will also be in the spotlight at the upcoming Annual Meeting in New Orleans as the featured speaker in the seminar entitled "Evans on Reinsurance—Constants and Changes."

In this particular seminar, Bruce will reflect on his four decades of involvement with reinsurance, beginning with his early days working for carriers and leading up to his present position as a professor at the University of Dallas. He will discuss the original and basic concepts of reinsurance and also review how the industry has evolved (and continues to evolve). From an educational standpoint, there will be something for everyone, whether a reinsurance "novice" or seasoned professional.

Here is what I expect: Bruce will inform you, he will entertain you, he will provoke your thought process, and he may even challenge some of your assumptions about reinsurance.

I have had the great privilege of working with Bruce on the Reinsurance Section Committee for the past few years. It is my firm belief that he offers a perspective on our industry that audience members will find to be of genuine interest.

Professor Evans has been the editor of *RISE* since its inception 21 years ago and over that period of time, he has produced a high-quality publication that has included articles covering a vast array of subject matter relating to reinsurance.

The other seminar sponsored by your Reinsurance Section will have a panel of senior managers representing reinsurance buyers and sellers to discuss current challenges and opportunities facing the industry. I will have more to say about these outstanding panelists in my next Chairman's Column.

We look forward to seeing you in New Orleans. ■

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Renewed Solutions to the Asbestos Litigation Crisis

by Diane Houghton, CPCU, ARe

Diane Houghton, CPCU, ARe, is a director in the claims division at Everest Global Services, Inc., part of the Everest Reinsurance Group. Prior to her employment with Everest Global Services, she was a member of management at Swiss Re New Markets in the International Risk Services Division. In that role, she was responsible for analyzing and quantifying risk as the project leader for due diligence on financial and run-off transactions. Before joining Swiss Re New Markets, Houghton held the position of supervising claims consultant for Swiss Re America. Her experience has also included management positions at various insurance and broker companies. She is currently managing a project to quantify long-tail liabilities.

Houghton graduated from Rutgers University with a B.A., and is currently completing a program to earn her master's in business science. She is a past president of the CPCU Society's New York Chapter, and is the current chairman of the CPCU Society's Reinsurance Section's Research Committee. She is also a member of the Association of Professional Insurance Women.

Editor's Note: The views expressed in this article are not those of Everest Global Services, Inc. or its affiliates.

At press time Senator Orrin Hatch, Senate Judiciary Committee Chairman, introduced a nonfault asbestos bill entitled "The Fairness in Asbestos Injury Act," which includes a provision for a privately funded trust to pay asbestos claims.

Many of the major participants in the asbestos litigation, including defendants, insurers, reinsurers, unions, and both Republican and Democratic senators, are diligently working on asbestos reform legislation that all hope will resolve the asbestos crisis. The significant difference between this proposal and the bills already introduced in Congress is the inclusion of a privately funded trust that would be set up to pay people with asbestos-related diseases an amount based on disease type. The trust would be funded by defendants and insurers on a basis yet to be determined. Senator Orrin Hatch, chairman of the Senate Judiciary Committee, has said he would like to introduce the legislation by next month.[1]

The trust would pay more than $100 billion to hundreds of thousands of asbestos victims over the next 30 years. This solution could save defendants and insurers, and ultimately reinsurers, more than $100 billion in ultimate costs.[2]

The inclusion of reinsurance representatives in these discussions should help mitigate potential issues between insurers and reinsurers over the cession of asbestos liabilities. Some analysts are concerned that disputes between reinsurers and insurers may intensify as the insurance industry posts increased reserves due to asbestos claims.[3]

This proposal is not the only one being discussed on Capitol Hill. During the past three months, four separate bills have been introduced in both the Senate and the House proposing asbestos litigation reform. Hearings have been ongoing to discuss these issues for the past several months. Now could be the ideal time to put forward such legislation because there is currently a president who is a proven proponent of litigation reform, a Republican-controlled Congress, and it is a non-election year.[4]

Some high-profile asbestos plaintiff attorneys have joined in the call for asbestos reform, even though attorneys' fees could be drastically reduced under any proposed plan. Noted asbestos attorney Steve Kazan of Kazan, McClain, Edises, Abrams, Fernandez, Lyons, and Farrise, testified before the Senate Judiciary Committee on September 25, 2002, "In my view, what is wrong with the asbestos litigation is due almost entirely to the large number of claims filed each year by lawyers who have found people who are not sick." More recently, on March 5, 2003, Kazan testified again, echoing the same sentiment.[5]

The Current Statistics

The need for asbestos litigation reform has been emphasized with the recent publication of several studies, which predict the asbestos litigation could ultimately cost more than $200 billion to all parties.

The Rand study, published in 2002, and utilizing data up to 2000, made the following observations:

- By the end of 2000, 600,000 people had filed claims.
- Annual filings have risen sharply in the last few years.
- There is an increasing incidence of unimpaired claims being filed. (An unimpaired claimant usually is defined as someone who has no cancer, and is functionally unimpaired.)
- More than 6,000 companies have been named as defendants.
- Bankruptcy filings by defendants are on a steady rise.

- By the end of 2000, $54 billion had already been spent in litigation, and transaction costs accounted for more than half of the money spent.
- Total costs could range from $200 billion to $265 billion.[6]

More recent statistics, from The Asbestos Alliance web site as of May 5, 2003, show that there are now 8,400 defendants and 67 bankruptcies as a direct result of asbestos liabilities. Claims from people who do not currently have cancer make up more than 89 percent of the total claims paid.[7] Tillinghast-Towers Perrin has estimated that 1,100,000 claims will eventually be filed.[8]

The impact of the asbestos litigation crisis has reached into the pockets of workers at firms where asbestos-related bankruptcies have occurred. Research done by Sebago Associates shows that bankruptcies led to a loss of 52,000 to 60,000 jobs. Each displaced worker will likely lose $25,000 to $50,000 in wages over his or her career. The average worker at an asbestos-related bankrupt firm lost 25 percent of the value of his or her 401Ks, when provided by their employers.[9]

Proposed Legislation

The four bills that have already been introduced in both the Senate and the House—The Asbestos Claims Criteria and Compensation Act of 2003 [S.413.IS]; The Asbestos Compensation Fairness Act of 2003 [H.R.1586.IH]; The Asbestos Victim's Compensation Act of 2003 [H.R.1737.IH]; and The Asbestos Compensation Act of 2003 [H.R.1114.IH]—all include two key components:

- evidence of physical impairment
- a change in the applicability of the statutes of limitation to asbestos claimants

Both H.R. 1737 and H.R. 1586 call for "physical impairment" to be an "essential element of an asbestos claim." There is detailed language in each bill to explain just how this physical impairment would be proven. Essentially, a plaintiff would have to include a medical report from a diagnosing or qualifying doctor with any claim.

Senate bill S.413 uses essentially the same language to call for a "prima facie showing of physical impairment as a result of a medical condition to which exposure to asbestos was a substantial contributing factor" before a claim for a nonmalignant condition can be brought or maintained.

House bill H.R.1114 limits nonmalignant claims to "asbestos-related nonmalignant conditions with impairment."

All four bills use comparable language to change or eliminate the applicable statute of limitation defenses. Senate bill S.413 includes language to change the applicability of the statute of limitations as well as adding language to allow plaintiffs to bring a separate cause of action for a second disease. This language, in Sec. 6 of the statute, is as follows:

> **SEC. 6. Statute Of Limitations; Two-Disease Rule.**
>
> (a) **Statute of Limitations**—Notwithstanding any other provision of law, with respect to any nonmalignant asbestos claim not barred on the effective date of this Act, the limitations period shall not begin to run until the exposed person discovers, or through the exercise of reasonable diligence should have discovered, that the exposed person is physically impaired by an asbestos-related nonmalignant condition.
>
> (b) **Two-Disease Rule**—An asbestos claim arising out of a nonmalignant condition shall be a distinct cause of action from an asbestos claim relating to the same exposed person arising out of asbestos-related cancer. No damages shall be awarded for fear or risk of cancer in any civil action asserting only a nonmalignant asbestos claim.
>
> (c) **General Releases From Liability Prohibited**—No settlement of a nonmalignant asbestos claim concluded after the date of enactment of this Act shall require, as a condition of settlement, release of any future claim for asbestos-related cancer.

H.R.1114 uses the following language to accomplish the same purpose:

> **SEC. 203. Statute of Limitations or Repose.**
>
> No defense to an asbestos claim based on a statute of limitations or statute of repose, laches, or any other defense based on the timeliness of the claim shall be recognized or allowed, unless such claim was untimely as of the date of enactment of this Act. No claim shall be deemed to have accrued until and unless the claimant's condition would have qualified as an eligible medical condition. . .
>
> **SEC. 204. Come Back Rights**
>
> Notwithstanding any other provision of law, a judgment or settlement of an asbestos claim for a non-malignant disease shall not preclude a subsequent claim with respect to the same exposed person for an eligible medical condition. . .

The other two bills use language very similar to the wording above to modify applicable statutes of limitation.[10]

Cautions

A well-known coverage defense attorney, Randy Maniloff, points out in a recent *Mealey's* article, there is the possibility that these changes would only mean more litigation costs as plaintiff attorneys litigate such issues as what constitutes physical impairment. Plaintiffs would undoubtedly put more energy and attention into the cases that do meet the medical criteria, which could raise the overall costs of litigation, and the costs of settlements.[11]

This situation brings us back to the trust proposal currently under discussion by many parties to the litigation. This

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proposal could eliminate the need for litigation altogether. Most of the money would go to the sickest people, and the majority of those funds would go to the plaintiffs (on new claims), instead of to defense and plaintiff law firms. (It is proposed that plaintiff attorneys collect their customary fees on cases already in the system.) *The New York Times* reports that an agreement is close.[12]

However, we should remember that there have been prior attempts to put forward such a legislative solution, and they have been defeated. Also, many prominent and august people have been advocating a solution to the asbestos crisis for more than a decade. In March 1991, the United States Judicial Conference Ad Hoc Committee on Asbestos Litigation report concluded:

> The most objectionable aspects of this asbestos litigation can be briefly summarized: dockets in both federal and state courts continue to grow; long delays are routine; trials are too long; the same issues are litigated over and over; transaction costs exceed the victims' recovery by nearly two to one; exhaustion of assets threatens and distorts the process; and future claimants may lose altogether.
>
> The committee has concluded that the situation has reached critical dimensions and is getting worse. What has been a frustrating problem is becoming a disaster of major proportions to both the victims and the producers of asbestos products, which the courts are ill-equipped to meet effectively.
>
> The worst is yet to come . . . unless Congress acts to formulate a national solution . . . all resources for payment will be exhausted . . . That will leave many thousands of severely damaged Americans with no recourse at all.[13]

And in March 2003, United States Supreme Court Justice Anthony Kennedy, wrote in an opinion in *Norfolk v Ayers*:

> This Court has recognized the danger that no compensation will be available for those with severe injuries caused by asbestos . . . It is only a matter of time before inability to pay for real illness comes to pass.[14]

There are probably few people involved or affected by the asbestos litigation who do not believe some type of reform is overdue. And perhaps Shakespeare said it best; it's time to "Hold or Cut Bow Strings." ■

Endnotes

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Reinsurance of Extra Contractual Obligations Enforceable or Not?

by Bruce M. Engel

Bruce M. Engel is a partner in Tressler, Soderstrom, Maloney & Priess's Chicago office. He represents insurers and reinsurers worldwide. His practice primarily involves reinsurance, insurance coverage, including intellectual property, e-commerce, and technology-related claims; advertising injury; environmental; health hazard and litigation. Engel received his undergraduate degree and law degree, magna cum laude, from University of Illinois at Urbana-Champaign. He is admitted to the Illinois bar and the United States District Court for the Northern and Southern Districts of Illinois.

Editor's note: The opinions expressed herein are those of the author and do not reflect the views of Tressler, Soderstrom, Maloney & Priess or any of its clients.

Certain states, either by statute or court opinions, prohibit insurance for punitive damages based upon public policy grounds. The basis for this prohibition generally is that the nature and purpose of punitive damages awards is to punish or deter wrongful conduct and that allowing insurance for punitive damages defeats those intentions. When punitive damages are awarded directly against an insurer for bad faith, the insurer may seek to recover some or all of these "extra contractual" obligations from its reinsurers. Can the insurer rely on clauses providing reinsurance for extra contractual obligations (ECO), which would include punitive damages? Are they enforceable? The answer will depend upon the specific wording of the reinsurance contract, the choice of law issue, and, perhaps most importantly, whether the contract contains an arbitration clause.

Reinsurance for Punitive Damages Under ECO Clauses

ECO clauses began to appear in reinsurance contracts in response to cases such as *Employers Reinsurance Corp. v American Fidelity & Cas. Co.*, 196 F.Supp. 553 (W.D. Mo. 1959), which held that a reinsurer was not liable for bad-faith damages based upon the reinsured's actions. A typical ECO clause provides reinsurance for "those liabilities . . . which arise from the handling of any claim . . . because of, but not limited to, the following: failure by the company to settle, . . . alleged or actual negligence, fraud or bad faith . . . ."

As most reinsurance disputes are subject to arbitration, there are very few reported cases addressing the issue of whether ECO clauses in reinsurance contracts will respond to indemnify a cedent in states that prohibit the insuring of punitive damages. One issue that may affect how a court addresses this question is whether ECO coverage is considered to be reinsurance or direct insurance. The Wisconsin Supreme Court addressed this issue in *Ott v All-Star Insurance Corp.*, 99 Wis.2d 635, 299 N.W.2d 839 (1981). In *Ott*, the issue was whether the underlying claimant could bring a direct action against the reinsurer for the bad-faith actions of the reinsured company. (Wisconsin allows direct actions against insurers.) The reinsurance agreement at issue added an endorsement that provided reinsurance for losses in excess of policy limits. The court stated that there could be no direct action unless the endorsement was direct insurance for the insurer rather than reinsurance. The court held that the clause constituted direct insurance, and therefore the reinsurer was subject to a direct action by the original claimant. *Id.* at 650, 846-847.

When punitive damages are awarded directly against an insurer for bad faith, the insurer may seek to recover some or all of these "extra contractual" obligations from its reinsurers.

One commentator has raised similar questions about the basis for ECO coverage:

> In view of the sharp legal distinction which exists between the purely contractual undertakings of a reinsurance agreement and the tort liabilities of the insurance company, it is questionable that the special grant of "excess of limits" coverage should be made part of a reinsurance agreement. . . . Note that in considering the issue of reinsurance for punitive damages under a reinsurance agreement, the

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> same considerations of public policy apply. If the particular jurisdiction in question prohibits such coverage, there is no such coverage.

Hagner, Punitive Damages—Insurance and Reinsurance, 47 Ins. Counsel J. 72, 76 (1980). Other commentators have suggested that, "If punitive damages are not insurable under the state law applied . . . the reinsurer presumably will not be liable for reinsurance of the punitive damages assessed against the cedent." Strain, Reinsurance Contract Wording, p. 190 (1998). Although not involving an ECO clause, at least one court has stated that the public policy of voiding any contract that indemnifies a wrongdoer for his wrongful conduct, "applies to all contracts be it regarding fronting, reinsurance, or olive oil import." *AIU North America, Inc. v Caisse Franco Neerlandaise de Cautionnements*, 72 F.Supp.2d 350, 356 (S.D.N.Y. 1999).

Some of the commentators and the *AIU* decision would appear to support the argument that the same public policy concerns should apply to both direct insurance and reinsurance. Nevertheless, there is also an argument that reinsurance agreements are sufficiently different from direct insurance agreements so that different public policy concerns should apply. First, a pro rata reinsurer specifically accepts premiums for the ECO coverage. The cedent and the reinsurer share in the risk. If a cedent appropriately denies coverage, the reinsurer benefits. Where the cedent's coverage denial results in punitive damages, the reinsurer has contracted to share that risk as well. Second, reinsurance is different from direct insurance in that a direct insurer may not be aware of, and has no control over, actions of its insured that may lead to punitive damages out of a wide variety of risks. A reinsurer, however, expressly contracts to indemnify for a specific risk, i.e., bad faith. Third, a reinsurer has presumably agreed to the ECO coverage based upon an analysis of the cedent's claim-handling practices. Finally, reinsurance is a contract between sophisticated companies in the same industry, and public policy favors enforcement of contracts.

> ■ *If the reinsurance contract does not contain an arbitration clause, the question of whether an ECO clause is enforceable may depend upon whether a court views the ECO coverage as reinsurance or direct insurance.*

There is no case law directly addressing the issue of whether ECO reinsurance agreements are enforceable, outside of the context of arbitration, which is discussed below. If the reinsurance contract does not contain an arbitration clause, the question of whether an ECO clause is enforceable may depend upon whether a court views the ECO coverage as reinsurance or direct insurance. If the ECO coverage is viewed as direct insurance, courts are likely to apply the same analysis to reinsurance of punitive damages as they would to a direct insurance contract. To the extent that a court views ECO coverage as reinsurance, a stronger argument can be made that a public policy prohibiting insurance for punitive damages should not apply in the reinsurance context.

Enforcement of ECO Clauses in Arbitrations

Most reinsurance agreements contain arbitration clauses. An arbitration panel operating under a typical arbitration provision may be more likely to enforce an ECO clause, and a court may be hesitant to overturn such an arbitration decision.

This is best illustrated by the decision in *Hartford Fire Insurance Co. v Lloyd's*, 1997 U.S. Dist. LEXIS, 10858 (U.S.D.C. Conn. 1997), which was an action to confirm an arbitration award. Punitive damages had been assessed against Hartford in two states that prohibit insurance coverage for punitive damages. The reinsurance agreement contained an ECO clause, which both Hartford and the reinsurers agreed covered punitive damages. The reinsurance agreement also contained arbitration clauses that "relieved [the arbitrators] of all judicial formalities and [allowed them] to abstain from following the strict rules of law. . . ." *Id.* at *4. The reinsurer denied any obligation for the punitive damages based on the argument that it was against the public policy of the states where the punitive damages were awarded or the state where the cedent was located. The arbitrators found in favor of Hartford, ordering the reinsurers to indemnify Hartford for punitive damages. Hartford then filed an action in court to confirm the arbitration award.

The *Hartford* court confirmed the arbitration award, requiring the reinsurer to indemnify Hartford for extra contractual punitive damages. As the reinsurance agreement was with Lloyd's, the action to confirm the award was brought pursuant to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the Convention). The Federal Arbitration Act (FAA) is incorporated into the Convention and also applies, unless there is a conflict. The reinsurers argued that federal law would find that Connecticut law should apply. Hartford argued that the Convention preempts any state law defenses. The court agreed with *Hartford*, holding that:

> In the instant case, the court concludes that the Convention clearly preempts any state law or state public policy defenses unless the parties have contracted otherwise. Hartford and Reinsurers agree that the ECO specifically allowed for the indemnification of punitive damages. Further, the contracts "relieved [the arbitrators] of all judicial formalities and [allowed them to] abstain from following the strict rules of law . . ."

> Accordingly, in this instance, the Convention preempts individual state law or state public policy that might hold to the contrary. Id. at *15.

The *Hartford* court further held that there was no national public policy against the indemnification of punitive damages.

Although the *Hartford* decision involved the Convention to enforce foreign awards, it provides strong support for upholding the validity of an ECO clause in a reinsurance arbitration. There is, of course, a strong federal policy to enforce arbitration agreements according to their terms. Therefore, an arbitration panel would likely enforce a reinsurance ECO provision, and a court would confirm that award.

Conclusion

There is very little law addressing the issue of whether ECO clauses or similar language in reinsurance contracts are enforceable in states that prohibit insurance for punitive damages. While there are valid policy arguments to support the enforceability of an ECO clause in a reinsurance contract, courts faced with this issue may treat the ECO clause as direct insurance for these types of damages and refuse to enforce the clause if state law prohibits insurance for punitive damages.

ECO clauses in reinsurance contracts are much more likely to be enforced in arbitrations, where reinsurance contracts are often interpreted as honorable engagements and the arbitrators are relieved from strictly following the law. Furthermore, if the arbitration agreement requires the arbitrators to be insurance or reinsurance industry executives, it becomes more likely that the arbitrators would uphold the enforceability of an ECO clause to reflect the parties' intentions. An arbitration award enforcing an ECO clause would more than likely be upheld by a court in view of the strong policy under the Federal Arbitration Act to uphold arbitration agreements. ■

Remembering March 2003—Reinsurance Section Symposium Recap

by Kelli Kukulka, CPCU

Kelli Kukulka, CPCU, is a director in the Chicago regional office within the Agricultural Department of American Re-Insurance Company. The Agricultural Department specializes in treaty and facultative reinsurance covering crops, farms, live animals, and specialty agri-business risks.

The striking newspaper headline on March 20th, "U.S. Declares War on Iraq," could not keep the Reinsurance Section from hosting our annual spring seminar March 20 and 21 in Philadelphia. If you did not attend this informative meeting, you truly missed an opportunity to mingle with outstanding industry experts. Our esteemed panel of speakers analyzed the events that have been shaping our industry, and gave their forecasts for the continued impact on the insurance industry from the events of 9/11, the hard market conditions, mold litigation, rating agency downgrade actions, and the Terrorism Risk Insurance Act (TRIA).

Attendees were treated to a bird's-eye view of the current state of the industry from both the reinsurance buyers' and sellers' perspectives. Dominic Addesso spoke for American Re's direct treaty division. George Gottheimer Jr., CPCU, Kernan Associates, Inc. presented the intermediary viewpoint. Rob Lauterbach Jr. from State Farm provided the primary insurer and personal lines perspective, while Patrick Mailloux represented Swiss Re's U.S. Direct operations.

Our panelists were in agreement on many issues facing the industry. Most agreed that the toxic mold issue has been reasonably addressed through the use of both coverage form exclusions and from an underwriting, claims, and loss control standpoint. Overall toxic mold claim frequency is on the decline in spite of new claims that have been filed as far north as New York. The opinions were more varied with regard to financial stability and profitability in the market. It was clear to this observer that the hard market reigns supreme for now, but the question is "for how long?"

After the panel discussion, Keith J. Lennox, senior financial analyst of A.M. Best, gave the crowd an update of reinsurance sector trends and rating outlook for 2003. Lennox reminded us that capital strength is still the most important factor that drives the A.M. Best's ratings. He emphasized that we will continue to see downgrades outpace upgrades, increased number of negative rating outlooks assigned, and several foreign reinsurers put their United States subsidiaries into run-off. As a result of continued rate increases, tighter terms and conditions, and the overall shift from customer service focus to underwriting focus, A.M. Best projects a 109.2 percent combined ratio for reinsurers in 2003.

After lunch, we were drawn to another side of company ratings as Laline Carvalho, director Standard & Poor's, took the mike for a discussion of key issues in the property and casualty and reinsurance sector. Uncertainty due to the war on Iraq was only one of the factors that Carvalho outlined as state-of-the-world issues. She also outlined the painful roles played by the equity market and the bond market that led to corporate default rates of near record levels. This particular situation left our European counterparts particularly exposed due to their higher investment leverage.

Donald Bryan, director for the New Jersey Department of Insurance, gave his perspective on the regulatory implications of the Terrorism Risk Insurance Act. Bryan's remarks were followed by an outstanding panel presentation from the Reinsurance Section Committee's own Mike Cass, J.D., CPCU, and included

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impressive panelist arbitrators Wesley Sunu and Andrew Walsh. If faced with an arbitration proceeding, these are the guys you would want on your team. The day ended on a high note as the panel not only explained the arbitration processes, but also enlightened the participants about the winning strategies surrounding an arbitration proceeding.

Friday morning began with an analysis of the legal implications arising from the federal Terrorism Risk Insurance Act presented by Joseph T. Holahan, Morris, Manning & Martin, LLP. We turned the mike over to Domenick J. Yezzi Jr., CPCU, of ISO, to present his firm's response to TRIA. Yezzi explained the differences between certified acts and excluded other acts under TRIA. He also spent some time discussing the various options, 28 property forms for eight different scenarios and 22 liability and umbrella forms, that were spawned as a result of TRIA. The graphic illustrations Yezzi presented brought home the precise application of the coverage forms if terrorism coverage was "accepted" or "rejected."

We capped off our meetings with a final presentation by Peter Ulrich, managing director of Risk Management Services. Ulrich provided an exciting overview titled "Managing Terrorism Accumulations" wherein he described the importance of using database analysis tools. He pointed out the basic theories of weaponry, target designation, and security behind establishing potential terrorist targets and damage zones in the new RMS-designed program. Ulrich explained how this application could be useful to both primary insurers and reinsurers to evaluate their accumulation of terrorism risk in their portfolios of business. The WTC disaster alone is enough illustration to demonstrate the importance to the industry of managing accumulation of terrorism risks.

The Reinsurance Section Committee would like to thank all of our speakers and coordinators who helped us to create a meaningful agenda for the participants. The group toasted the end of another successful spring symposium having analyzed the events shaping our work lives and reviewing forecasts for the continued impact on the insurance industry from the events of 9/11, the war in Iraq, the hard market conditions, mold litigation, rating agency downgrade actions, and TRIA. Attendees went home with an overview of the trends and projections for the future of our industry and ideas for techniques and tools to better manage their business to ensure profitable growth and stability for the future or our industry. ■

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