



October 2011

Editor, Larry Boyd

Graphics and Layout, Carolee Lance



*The young are always ready to give to those who are older
the benefits of their inexperience - Oscar Wilde*

SLAOR News:



Don't forget to register for our C.E. Classes: 10/27 9:00 am – Noon (Current Events in the Surplus Marketplace) and 10/27 1:00 – 4:00 pm (Street Level Ethics), both taught by Bernie Heinze, Executive Director, AAMGA. Venue is Crowne Plaza, Kruse Way, Lake Oswego. Ethics C.E. can be applied to the Law and Ethics requirement or the general requirement. Any P&C licensees in your firm are invited to attend (we continue our policy of charging \$25 only if you are a no-show). Send an e-mail message to Carolee at slaor@slaor.org if you want to register now.

You can extend an invitation to the classes to your client retailers – first come, first served. This could be a great public relations event for you and a client – lunch and a class or two?

Financial

Just when we think we have identified a trend, our filers surprise us! Premiums jumped up 7.6% for August and brought us to -10.1% for the YTD. This is about what we budgeted YTD. The bigger surprise is that SLAOR fees are now \$10 k over budget (+3.6%) for the YTD. The forecast demise of the surplus lines market in the prolonged soft market has failed to materialize in Oregon.

Budgeted expenses are about as budgeted not including a couple of “surprise” events. We remain adequately reserved for any “worst case” scenario.

Operations

The Federal NRRRA law went into effect July 21st and for policies effective that date forward only the “home state” may tax or regulate the policy. The definition of “Home State” may be found on the SLAOR website. Changes now in effect include: (1) \$15 million surplus requirement for U.S. domiciled insurers, alien insurers required to be on the NAIC International Insurer Division list (IID); (2) “exempt commercial purchaser” (see definition on our website) are not required to comply with diligent search requirements; (3) policies may be taxed and regulated only by the “Home State” for the policy. Oregon’s law conforming our law to the Federal law does not go into effect until January 1, 2012, and as an unintended consequence policies with an effective date between July 21 and December 31, where Oregon is the Home State, will be taxed only on the portion of the premium applicable to Oregon risk. The rest of the premium will go untaxed. Other changes delayed to January 1, 2012 include authority to tax all premiums, more lenient standards for exempt commercial purchasers and a “blended” premium tax of 2.3% applicable to all premiums (the 0.3% portion of the tax will be allocated to the Office of the Fire Marshal.)

State auditors of our operations for the five years ended 12/31/2010 have completed their work with no comment on our financial operations. Their only negative comment was that we need to require that directors and senior employees annually sign an acknowledgement that they have read and will conform with our policy on conflicts of interest. The audit cost us \$8 k.

Separate from the audit we received a “management” letter from the State with additional recommendations for modest changes in our disaster plan and a change in custodial provisions for our investment securities. We will be able to comply with both recommendations at no additional cost to the Association.

*If you must choose between two evils,
pick the one you've never tried before.*

National News:



Talks under way on aligning competing surplus lines premium tax systems

Posted On: Sep. 23, 2011 1:25 PM CST

Insurance regulators are considering changes that would align competing clearinghouse arrangements to distribute surplus lines premium taxes, which could end a sometimes contentious debate over which arrangement would best serve policyholders and brokers.

The proposal would revise the Nonadmitted Insurance Multi-State Agreement to allow the clearinghouse arrangement to work in the same way as the Surplus Lines Insurance Multi-State Compliance Compact to collect and allocate the surplus lines premium taxes.

Louisiana Insurance Commissioner James J. Donelon, who chairs the National Assn. of Insurance Commissioners' Surplus Lines Implementation Task Force, said Friday that "we are examining that possibility as we speak. We have been approached by the industry as to the extent that we can make that happen."

Brokers made concerns known - Mr. Donelon said surplus lines brokers, who are responsible for collecting the tax, have made their concerns known regarding NIMA. Brokers' expressed view is that having NIMA operate similarly to SLIMPACT "will greatly enhance the efficiency" of tax collections, he said.

The clearinghouses are being developed in response to the Nonadmitted and Reinsurance Reform Act, which became part of the Dodd-Frank Wall St. Reform and Consumer Protection Act and took effect July 21. The law stipulates, among other things, that only the home state of a policyholder can collect the premium taxes. It requires state legislatures to approve a method to allocate the taxes.

NIMA, SLIMPACT evolution - NIMA and SLIMPACT have evolved along different paths.

The National Assn. of Professional Surplus Lines Offices Ltd. backs SLIMPACT and has long argued that it is a more efficient, simpler and less costly method of allocating surplus lines premium taxes.

NIMA, developed by the NAIC, does not contain the same uniformity features as SLIMPACT and, in its original version, requires the cooperation of all fifty state insurance regulators to begin operating.

Nine states have approved the SLIMPACT approach, which needs ten states to begin operations. A dozen states have signed on to the NIMA arrangement.

"We are studying the possibility of coordinating our system with SLIMPACT, if and when it becomes operational," Mr. Donelon said. "That would allow for similar, if not identical allocation and collection systems."

WTC occurrence dispute teaches some tough lessons

September 11, 2011 - 6:00am

The consequences of the Sept. 11, 2001, attack on New York's World Trade Center are many, but a significant legacy for the risk management and insurance world is the ongoing contentiousness and litigation surrounding the structures' property coverage.

Years of courtroom wrangling over applicable forms and definition of terms have led to an increased commitment to timely delivery of policies and contract certainty.

The property policy crafted by Willis Group Holdings for Silverstein Properties Inc. when Silverstein leased the twin towers and two other World Trade Center buildings from the Port Authority of New York and New Jersey in summer 2001 was massive. Assembling the capacity for the \$3.55 billion program involved a complex array of layers and insurers.

In large part as a result of that complexity, and fueling the subsequent coverage disputes, was the fact that final policy wording on much of the program still was unfinished when the terrorists attacked months later.

"It certainly created a situation where there was ambiguity at the time of contract binding," said Aaron Davis, managing director in the national property practice at Aon Corp. unit Aon Risk Solutions in New York.

cont.

A fondness for power is implanted, in most men, and it is natural to abuse it, when acquired

Alexander Hamilton

National News (cont.):



WTC occurrence dispute teaches some tough lessons (cont.)

Following the attack, leaseholder Larry A. Silverstein argued that the twin towers' destruction constituted two separate occurrences, requiring the insurers on the property program to pay the \$3.55 billion limit twice.

Representatives spoke for Chubb Corp. in the so-called "Silverstein Phase I" trial to determine the form on which insurers bound their portion of the WTC coverage. Chubb, along with eight other insurers, were found to have bound under a form Willis had crafted that came to be known as "Wilprop," which established the Sept. 11, 2001, attack as a single occurrence.

"The biggest difference between the Wilprop form and all the other potential forms was that the Wilprop form had a very broad definition of the word "occurrence," Mr. McKay said. Silverstein's property package had a fairly high deductible, he said. When Willis devised the form, it tweaked a stock form to broaden the definition of occurrence to include a series of events.

"They did that with the '93 (World Trade Center) bombing in mind," Mr. McKay said. "They didn't want to have multiple deductibles."

Meanwhile, other forms' definitions of occurrence were sufficiently vague enough to allow the event to be deemed multiple occurrences, a position taken by a jury regarding a separate group of insurers.

Ultimately, following various payments and settlements, insurers on the property program paid Silverstein approximately \$4.55 billion.

Mr. Nardiello said depending on the complexity of the form, there still are accounts where binding occurs without the actual form in hand, "but the form is agreed to."

"Before 9/11 it was a looser environment when it came to delivery of policies," said David Finnis, North American property practice leader at Willis North America in Atlanta. "And following that event, even if you didn't have the agreed issued policy in your hands at time of binding, you had the full policy nailed down and finalized in e-mail form."

"London, which was notoriously slow in issuing forms, has moved to contract certainty in a big way," Mr. Nardiello said.

A different view

A policyholder attorney had a different view of progress toward contract certainty and timely policy delivery.

Finley T. Harckham, partner at Anderson Kill & Olick P.C. in New York, recalled a property loss and business interruption case he was involved in for a client that operated retail stores in the World Trade Center. The insurer, he said, sought to calculate his client's business interruption loss based on business activity if its stores had survived the Sept. 11 attack and remained in business at the site "with all the smoldering rubble around it."

"Ultimately the court ruled in our favor," Mr. Harckham said. "They said you can't calculate it that way. You have to assume there were no attacks."

"This is an issue that I think is going to recur," he said. "You ask if there's greater contract certainty, and my answer would be no." Policies, he said, still "tend to be silent" on that issue of calculating lost business income after a catastrophe.

Mr. Davis noted that while major catastrophe losses may still lead to litigation, "the majority of litigation that we have seen, at least on an anecdotal basis, what is at issue is not the actual contract wording; it's the interpretation of the meaning of that contract wording."

"Obviously what you want to do is avoid surprises" by making sure the insurer, broker and insured are all aware and in agreement with "the four corners of the contract," Mr. Davis said.

cont.

*Clothes make the man.
Naked people have little or no influence on society.*

National News (cont.):



Top Lehman Officials Say Managers Can't Block Insurance Access 9/12/2011

Former Lehman Brothers Holdings Inc. (LEHMQ) Chief Executive Dick Fuld and other top officials defended their right to tap \$90 million from insurance policies, saying any rights more junior managers may have to the funds should not prevent them from settling a multibillion-dollar lawsuit brought by shareholders.

In court papers filed Friday with the U.S. Bankruptcy Court in Manhattan, Fuld and the others asked a judge to dismiss arguments from seven former executives at Lehman's Structured Asset Securities Corp., known as Sasco, who objected to the drawdown of insurance funds to pay for the settlement.

Those Sasco managers are concerned that the failed bank's top brass will exhaust \$250 million in insurance before they can reach a settlement with holders of mortgage-backed securities that the unit issued. But the senior executives say the Sasco managers' potential claim to the funds is uncertain because talks continue with the investors who filed the lawsuit.

The Sasco managers claim to "any insurance coverage remains the rankest of speculation and, consequently, they have no standing to object," attorneys for fourteen Lehman executives said in court papers.

A hearing on the matter is set for Wednesday.

So far the bankruptcy court has cleared the Lehman executives nine times to tap the policies covering their actions in parts of 2007 and 2008 to pay for settlements and legal bills.

While the Lehman executives say dispersing funds from the policies yet again should be routine, the Sasco managers are concerned the \$90 million size of the latest request could leave few additional funds available.

Those managers are themselves facing a more than \$4 billion lawsuit. They say they are in talks to settle for \$45 million, but that deal could be scuttled if insurance funds run dry.

The Sasco managers say the judge should implement a system to allocate the insurance funds among all eligible managers with potential claims.

The top Lehman executives said, in court papers, that the bankruptcy court should follow the "first in time, first in right" rule called for under New York law.

They also rejected the Sasco managers' argument that creditors would benefit from setting aside insurance funds to pay for potential future claims.

Without approval to pay the \$90 million settlement, the Lehman executives could face a multibillion-dollar judgment against them. That could force the investment bank's estate to cover a much larger payment because it is required to fund legal judgments against them.

The suit filed by shareholders alleges that Fuld and other executives supplied offering materials and other securities filings that contained "misrepresentations and omissions" regarding the company's financial condition during the fifteen months leading up to its September 2008 Chapter 11 filing.

The investment bank's common stock traded for as much as \$82 a share in June 2007 but is slated to be canceled under Lehman's proposed liquidation plan.

(Dow Jones Daily Bankruptcy Review covers news about distressed companies and those under bankruptcy protection.)

-By Eric Morath; Dow Jones Daily Bankruptcy Review; 202-862-9279; eric.morath@dowjones.com

BOB HOPE ~ May 29, 1903 - July 27, 2003

ON GIVING UP HIS EARLY CAREER, BOXING - "I ruined my hands in the ring ... the referee kept stepping on them."

ON SAILORS - "They spend the first six days of each week sowing their wild oats, then they go to church on Sunday and pray for crop failure."

ON NEVER WINNING AN OSCAR - "Welcome to the Academy Awards or, as it's called at my home, 'Passover'."

ON GOLF - "Golf is my profession. Show business is just to pay the green fees."

ON PRESIDENTS - "I have performed for twelve presidents and entertained only six."

ON WHY HE CHOSE SHOWBIZ FOR HIS CAREER - "When I was born, the doctor said to my mother, 'Congratulations. You have an eight-pound ham!'"

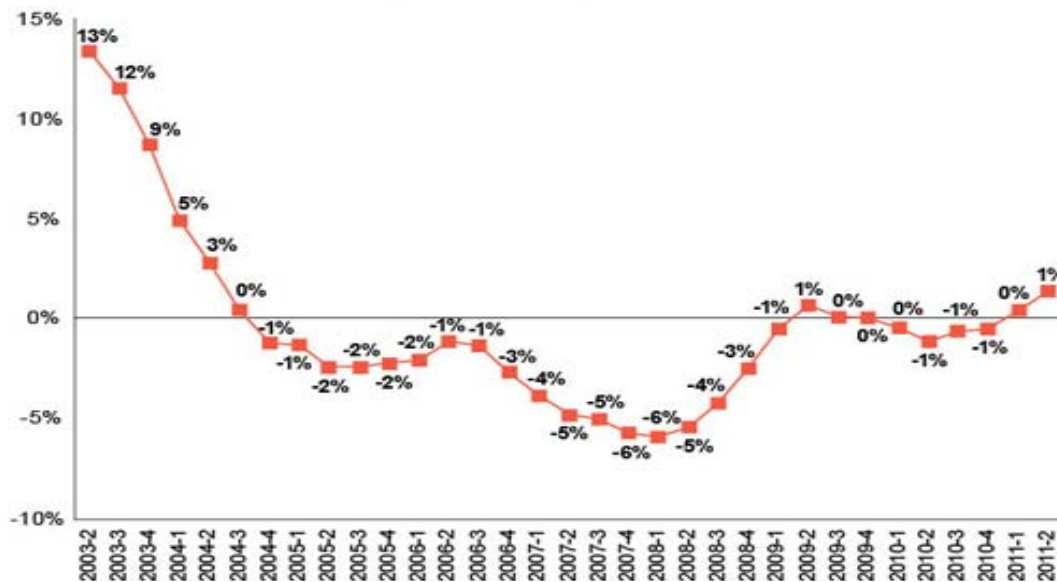
The Marketplace:



Commercial insurance prices in aggregate increased by almost 1.5% during the second quarter of 2011, according to Towers Watson's most recent Commercial Lines Insurance Pricing Survey (CLIPS). The survey compared prices charged on policies underwritten during the second quarter of 2011 to those charged for the same coverage during the same quarter in 2010. Survey data were contributed by thirty-eight participating insurance companies representing approximately 20% of the U.S. commercial insurance market (excluding state workers compensation funds).

After flat first quarter indications, pricing data reported by carriers for the second quarter of 2011 showed increases across virtually all surveyed lines. A notable exception was directors and officers liability, which continued to show significant declines in price levels.

Change in price level vs. same quarter one year prior



Workers compensation and commercial property showed the most significant price increases this quarter. Workers compensation continued its trend from the first quarter of 2011, reporting modest price increases after four quarters of flat pricing in 2010. Commercial property prices increased for the first time in five quarters, likely influenced by catastrophes early in the season, but third quarter indications will provide a more complete indication of the pricing response.

Reinsurance Industry So Bad It's Good?

11:01 (Dow Jones) The reinsurance business has gotten so bad that it's finally ready to be good again, according to two ratings agencies. Both Moody's and AM Best are out with commentary suggesting an improved pricing environment for reinsurers because investment returns have been low and catastrophe costs have eaten up a fair amount of the capital cushion that existed at the start of the year. Both see the possibility of increased M&A activity in the space. Mergers build balance sheets, and "smaller reinsurers may feel heightened pressure to seek merger partners in order to maintain relevance," Moody's writes. (erik.holm@dowjones.com)

(cont.)

FACTS OF LIFE

Character is what you are. Reputation is what people think you are.

Drive carefully. It's not only cars that can be recalled by their maker.

A man usually feels better after a few winks, especially if she winks back.

Friends may come and go, but enemies accumulate.

Don't worry about the world ending today ... It's already tomorrow in Australia. (Unless you're in Australia - then start worrying)

The Marketplace *(cont.)*:



Surplus insurance lines premiums fall fourth straight year: Best

Posted On: Sep. 26, 2011 2:31 PM CST

A weak economy and competition from standard market insurers drove down surplus lines insurance premiums in 2010, the fourth straight year they declined, A.M. Best Co. Inc. said in a report released Monday.

Direct written premiums fell 3.8% to \$31.72 billion, Best said. Surplus lines insurers' exposure bases shrank during the recession and admitted market companies fought for business, and are among the reasons for the unprecedented fourth consecutive year that surplus lines direct written premiums have fallen, Best said.

Lloyd's of London was the insurer group with the largest share of the surplus lines market with 18.3% in 2010, according to the report. Lloyd's wrote premiums of \$5.79 billion.

American International Group Inc. had 16.8% of the market with \$5.34 billion in premiums. With its 13% decline in direct written premiums from 2009, AIG slipped to No. 2 behind Lloyd's. Even so, AIG unit Lexington Insurance Co. was the single insurer that wrote the most surplus lines premiums last year, with \$4.55 billion.

Steadfast Insurance Co., a unit of Zurich Financial Services Group, was next among individual insurers, with \$1.05 billion in premiums written.

Some surplus lines insurers chose again last year to release reserves from prior years, but the benefit of such moves is not as valuable this year because the cushion of reserves is being depleted, Best said.

Excerpts from the report are available at ambest.com

U.S. property/casualty insurance rates declined an average of 2% in August compared with a year earlier, MarketScout reported Tuesday.

But the Dallas-based electronic insurance exchange reported that rates for several lines—including commercial property—were flat, while rates for one line of coverage—surety—increased 1%. Umbrella/excess coverage reported the largest decrease, dropping 3% from a year earlier.

Size differences

Not all accounts fared the same in August. Small accounts experienced average increases of 2%, while the largest accounts enjoyed average decreases of 4%, MarketScout said.

"The larger the account, the more aggressive the underwriting community," MarketScout CEO Richard Kerr said in a statement accompanying the survey. "Big, prestige-name accounts have always enjoyed preferred pricing. Brokers, agents and underwriters continue to be aggressive in their efforts to place marquee names on their client list."

August's 2% year-over-year decrease was identical to that registered in MarketScout's July report.

Prices Up in All Commercial Lines: Towers Watson

In an indication that the market may be hardening, commercial insurance prices in aggregate increased by nearly 1.5% during the second quarter of 2011. It's the first time since the fourth quarter of 2003 that all standard commercial lines showed an uptick in pricing.

That is a key finding from the most recent Commercial Lines Insurance Pricing Survey (CLIPS) by global professional services company Towers Watson, which said the findings are consistent with preliminary results from a soon-to-be released Towers Watson survey that 75% of chief financial officers believe standard property market prices were at the bottom or turning upward.

Further, while 87% of the CFOs believe the casualty market is still soft or at the bottom of the cycle, 80% of these CFOs said it is within two years of hardening.

International:



WSJ UPDATE: UBS Trader Racks Up \$2 Bln Loss, Raises Doubts About Risk Management

(This story and related background material will be available on The Wall Street Journal website, WSJ.com.)

By Deborah Ball of THE WALL STREET JOURNAL

ZURICH (Dow Jones) -UBS (UBS) announced that a rogue trader racked up about \$2 billion in losses, a surprise blow that came hours after British police arrested a 31-year-old man in London on suspicion of fraud.

The surprise announcement, which sent UBS shares down sharply, raises serious questions about the bank's risk management systems, just three years after its investment bank had to write down \$50 billion in securities trades.

City of London police said they arrested a 31-year-old man in London for "suspicion of fraud by abuse of position." A UBS spokesman confirmed that the bank has been notified of the arrest, but it declined to confirm that the man is an employee of the bank.

Swiss newspaper NZZ reported that the man is an equities trader in the UBS's London office.

Catastrophe News:



Swiss Re Report Estimates 2011 First 6 Months Cat Losses at \$70 Billion

Preliminary estimates from Swiss Re's newly released *sigma* report indicate that "total insured losses for the global insurance industry from natural catastrophes and man-made disasters reached an estimated \$70 billion in the first half year of 2011."

The report also made the following conclusions based on first half 2011 events:

- * 2011 will be the year with the highest insured earthquake losses in history
- * 2011 ranks already as the second costliest year for insured catastrophic losses

Swiss Re pointed out that the losses are "more than double the figure of \$29 billion for the first six months of 2010. Claims from natural catastrophes alone reached \$67 billion in the first half of 2011, compared to \$27 billion in the same period of last year."

The toll in terms of "total economic losses to the society (insured and uninsured) for the first half year's disasters were almost \$278 billion. Approximately 26,000 people lost their lives in catastrophes in the first six months of 2011, most of them in Japan."

The \$70 billion plus figure for insured catastrophe losses in the first half of 2001 alone, "already ranks as the second most expensive year according to sigma records. This figure was only surpassed in 2005 when total catastrophe claims amounted to \$120 billion, with hurricanes Katrina, Wilma and Rita causing claims of over \$90 billion."

Thomas Hess, Swiss Re's Chief Economist, commented: "Given the many people who died in Japan and the sad experiences in New Zealand, 2011 will certainly go down as another year of very tragic earthquakes.

"In terms of catastrophe claims, 2011 is already the second costliest year in history for the insurance industry. Additional claims from the ongoing US hurricane season or expensive winter storms in Europe have the potential to bring figures for the full year even closer to the record claims of \$120 billion experienced in 2005."

Source: Swiss Re

(cont.)

Top Oxymorons:

Act naturally	Good grief	Living dead	Peace force	Diet ice cream
Found missing	Almost exactly	Small crowd	Temporary tax increase	Exact estimate
Resident alien	Government organization	Business ethics	Plastic glasses	Microsoft Works
Advanced BASIC	Sanitary landfill	New classic	Terribly pleased	
Genuine imitation	Alone together	Child Proof	Tight slacks	
Airline Food	Silent scream	Synthetic natural gas	Definite maybe	

Catastrophe News (cont.):



UNCTAD Executive: 3-5 Degree Temperature Rise Is Inevitable

PARIS (Dow Jones)--An "inevitable" rise in global temperatures of between three and five degrees Celsius will result in war, famine and mass migration as people move into more temperate zones to grow food, a senior executive with the United Nations Conference on Trade and Development said Monday.

Ulrich Hoffman, head of UNCTAD trade and sustainable development, told Dow Jones Newswires that greenhouse gas emissions had already passed a "tipping point."

"Some of the critical benchmarks have already passed and we are already quite close to a few others," Hoffman said at the side of a conference on environmentally-sustainable agriculture here.

He said current levels of greenhouse gasses in the atmosphere equate to around 760 milligrams per dollar of the world economy. Allowing for a 2% increase in the gross domestic product of developing countries and the forecast rise of the global population to 9 billion by 2050, Hoffman estimated this would need to fall to 6 milligrams per dollar over the next decade to stop the effects of climate change.

Over the past twenty-five years the world has only managed to cut gasses from 1,000 milligrams per dollar.

"We've missed the boat," he said. "Write off mitigation--get prepared for the worst."

As a result, he said growing desertification is likely to drive higher mass migration in already vulnerable parts of the world, such as Africa and Asia. Although output is already high enough to meet demand--according to U.N. data current production is enough to feed the world population 2,400 calories a day-- Hoffman said such demographic changes will leave more people too poor to afford to eat.

"We have a kind of apocalyptic scenario," he said.

-By Caroline Henshaw, Dow Jones Newswires; 4420-7842-9478; caroline.henshaw@dowjones.com

At the annual gathering of members of the reinsurance industry at Rendez-Vous de Septembre in Monte Carlo, Monaco, Ulrich Wallin, chairman of the executive board of the Hanover, Germany-based reinsurer, said Monday that many lines of business likely will see some rate increases at the upcoming renewals.

The reinsurance market has changed since last year, when underwriters typically were content with stable rates in most business lines, Mr. Wallin said.

Catastrophe-exposed property - Property catastrophe rates have increased in areas that have suffered losses, he said. In New Zealand, for example, which was struck by three earthquakes between last September and June this year, rates have doubled or even tripled in some cases, he noted.

For business that is exposed to catastrophes but has not been hit by recent losses, rates increased an average 5% to 10% at the renewals June and July, Mr. Wallin said.

Catastrophe-exposed U.S. business has seen average rate increases of 10% to 15% at the July renewals, and similar or larger rate increases are likely for renewals at the beginning of next year, said Michael Pickel, a Hanover-based member of the executive board.

U.S. casualty rates are no longer softening, Mr. Pickel noted.

(cont.)

These alleged quotes from employee evaluations have been seen before but are just too good not to revisit occasionally



This employee should go far, and the sooner he starts, the better.

Got a full 6-pack, but lacks the plastic thing to hold it all together.

A gross ignoramus - 144 times worse than an ordinary ignoramus.

He doesn't have ulcers, but he's a carrier.

I would like to go hunting with him sometime.

He's been working with glue too much.

Catastrophe News *(cont.)*:



Fitch: Hurricane Irene Losses Manageable

Hurricane Irene, while inflicting severe economic damage, will come in far behind the most severe storms to strike United States in recent years, according to a new report by Fitch Ratings.

At over \$45 billion of insured losses, Hurricane Katrina remains the most financially devastating hurricane in U.S. history. However, Irene's most troublesome aspect will be the substantial flooding, according to Fitch Rating's Senior Director Brian Schneider. "While many commercial and crop insurance policies cover flood losses, homeowner policies generally do not," said Schneider. "There is also the potential for business interruption losses as the affected areas work to recover from the storm."

While AIR Worldwide is estimating \$3-\$6 billion in insured losses, projections from EQECAT Inc. are coming in notably lower at between \$1.8-\$3.4 billion. Economic damages figure to come in substantially higher at over \$10 billion.

Forecasters are also saying there is a realistic chance that a major hurricane will make landfall in the United States or Caribbean before the year is out, which is potentially bad news for insurers and reinsurers.

"(Re)insurers are already absorbing very high losses and now we enter September, historically the most active month of hurricane season," said Schneider. Even so, Schneider added, Fitch expects U.S. property/casualty insurers to be able fully absorb losses brought on by Hurricane Irene.

Senate Will Consider Wind vs. Water Formula

Senate leaders have agreed to consider a provision designed to help settle wind versus water claims in a more timely and equitable manner as part of reauthorization of the federal flood insurance program.

The provision's sponsor, Sen. Roger Wicker, R-Miss., said Senate Banking Committee Chairman Tim Johnson, D-S.D., and Ranking Member Sen. Richard Shelby, R-Ala., agreed to include the his amendment in a reauthorization of the National Flood Insurance Program (NFIP) when the broader measure is considered by the full Senate.

Wicker said his provision – called the COASTAL amendment, an acronym for Consumer Option for an Alternative System to Allocate Losses— would help determine wind versus water claims and provide greater certainty to homeowners and the insurance market.

"Today's agreement is an important step to solving the wind versus water dispute problem," said Wicker.

Wicker said his formula protects taxpayers and policyholders from the shifting of wind damage claims to the government's flood program, as he says happened in Mississippi in the wake of Hurricane Katrina.

"While the COASTAL formula will be used to prevent overpayment for flood losses, I believe that the use of the FEMA formula and the NOAA data will have a second important national benefit, which is to help protect consumers from any industry abuses in the future," Wicker said.

The Wicker amendment utilizes data currently collected by the National Oceanic and Atmospheric Administration (NOAA), academic institutions, and private entities to allocate wind versus water damage following significant storms. Using a post-storm event formula developed under the amendment, damage would be determined by its source and attributed to wind or water peril. The formula would be applied on a property-by-property basis so individual engineering characteristics of each home would be taken into account. This would allow accurate insurance settlements when no tangible evidence remains after a hurricane.

The alternative loss allocation system would be based on the timing, location, and magnitude of wind speeds and storm surges before, during, and after a major coastal storm.

Last year, Wicker held a roundtable with Mississippi Gulf Coast residents to discuss ways to improve the NFIP. "There is no question that one of the most difficult obstacles in recovering from Hurricane Katrina – or preparing for the next storm – has been the cost and availability of insurance," said Wicker during that meeting.

Currently, the NFIP expires on Sept. 30, 2011. The Senate Banking Committee has approved a five-year reauthorization of NFIP. The Senate legislation differs in some provisions from the House-passed measure.

(cont.)

If at first you don't succeed ... well, so much for sky diving.

Catastrophe News (cont.):



Natural catastrophes send Lloyd's to \$1.1 billion first-half loss

Posted On: Sep. 21, 2011 6:34 AM CST

LONDON—Record natural catastrophe losses during the first half of the year pushed the Lloyd's of London market to a £697 million (\$1.1 billion) loss for the period, Lloyd's officials said Wednesday.

The first-half loss compares with a profit of £628 million (\$991.5 million) for the same last year.

Lloyd's said its first-half combined ratio was 113.3% compared with 98.7% for the first half of last year.

Investment income fell 8.2% to £548 million (\$865.2 million).

Mr. Ward said the loss was "not surprising" given the high level of catastrophe losses in the first half of the year, and he said he was pleased that the losses were "manageable."

Lloyd's said its gross written premiums for the first half of 2011 were £13.53 billion (\$21.36 billion) compared with £13.50 billion (\$21.31 billion) for the first six months of 2010.

Third behind 2001, 2005 - The record first-half catastrophe losses already have made this year the third most costly for Lloyd's after 2001 and 2005.

Natural catastrophes cost Lloyd's about £2.8 billion (\$4.42 billion) in the first half of 2011, said Richard Ward, the market's CEO. Total claims in the first half were £6.7 billion (\$10.58 billion), he said.

Losses from flooding in Australia, and the earthquakes in New Zealand and Japan cost the market about \$3.8 billion (\$6 billion), Mr. Ward said.

<http://www.businessinsurance.com/article/20110606/NEWS/110609944> Tornadoes in the United States resulted in about \$600 million in claims, he said.

Other large losses include about \$250 million from the February loss of Maersk Oil's Gryphon North Sea oil and gas installation, which is estimated to have caused industry wide losses of about \$1 billion (\$1.58 billion), said Luke Savage, director of finance, risk management and operations at Lloyd's.

Mr. Ward said that while property insurance rates were increasing for catastrophe-exposed business, other lines of business, particularly casualty lines, still were softening in some cases.



Our marriage is a partnership. I'm the silent partner.

Romantic love is a temporary insanity curable by marriage.

She was engaged to a guy with a wooden leg. She got mad and broke it off.

Editor's note: "Newsletter" is compiled from press releases and news articles published in industry publications such as Advisen FPN, The Insurance Journal, and Business Insurance, among others

Please share this NewsLetter with your staff – Thanks

Note: The opinions expressed in this newsletter are those of the Editor and do not reflect an official position of The Surplus Line Association of Oregon unless so noted

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