GIRO XXIX
2002 Convention

8-11 October 2002
Disneyland® Resort Paris

World Trade Center
An Update

David Sanders

<table>
<thead>
<tr>
<th>Category</th>
<th>Original</th>
<th>Revised</th>
<th>Current</th>
<th>Low</th>
<th>High</th>
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<tbody>
<tr>
<td>Aviation Hull</td>
<td>1.0</td>
<td>0.8</td>
<td>1.0</td>
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<tr>
<td>Property</td>
<td>15.5</td>
<td>12.0</td>
<td>17.0</td>
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<td>BI</td>
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<td>15.0</td>
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<tr>
<td>Liability</td>
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<td>13.0</td>
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<tr>
<td>WC</td>
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<td>2.5</td>
<td>4.0</td>
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<tr>
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<td>3.5</td>
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<tr>
<td>Total</td>
<td>48.5</td>
<td>39.8</td>
<td>53.5</td>
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</table>
Sept. 11 Industry Loss Estimates $bn

Insured Losses Estimate: $40.2B

Source: Insurance Information Institute, July 2002

Broad Overview

- Insurance business has been very resilient
- Current losses less than Hurricane Andrew
- **WTC DISASTER CLAIMS FILED** 09/04/2002
  - Commercial 22,154
  - Personal 11,098
  - Total: 33,252
- **CLAIMS VALUE** $17.3 billion
  - Source: Disaster Insurance Information Office (DIIO)

Market Losses source Aon

<table>
<thead>
<tr>
<th>Loss Type</th>
<th>Value</th>
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</thead>
<tbody>
<tr>
<td>Life</td>
<td>$2.7 (7%)</td>
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<tr>
<td>Aviation Liability</td>
<td>$3.5 (9%)</td>
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<tr>
<td>Event Cancellation</td>
<td>$1.0 (2%)</td>
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<tr>
<td>Aviation Hull</td>
<td>$0.5 (1%)</td>
</tr>
<tr>
<td>Workers Comp</td>
<td>$2.0 (5%)</td>
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<tr>
<td>Property - WTC 1 &amp; 2</td>
<td>$3.5 (9%)</td>
</tr>
<tr>
<td>Property - Other</td>
<td>$6.0 (15%)</td>
</tr>
<tr>
<td>Biz Interruption</td>
<td>$11.0 (27%)</td>
</tr>
<tr>
<td>Other Liability</td>
<td>$10.0 (25%)</td>
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</table>

Market Losses source Aon

<table>
<thead>
<tr>
<th>Company</th>
<th>Loss Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lloyd's of London</td>
<td>$2.8bn</td>
</tr>
<tr>
<td>Berkshire Hathaway</td>
<td>$2.4bn</td>
</tr>
<tr>
<td>Munich Re</td>
<td>$1.9bn</td>
</tr>
<tr>
<td>Swiss Re</td>
<td>$2.6bn</td>
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<td>Allianz</td>
<td>$1.3bn</td>
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<tr>
<td>Zurich Financial</td>
<td>$900m</td>
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<tr>
<td>AIG</td>
<td>$820m</td>
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<td>XL Capital</td>
<td>$950m</td>
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<td>St Paul</td>
<td>$950m</td>
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<tr>
<td>Employers Re</td>
<td>$600m</td>
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<tr>
<td>Axa</td>
<td>$700m</td>
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<tr>
<td>Travelers (Citigroup)</td>
<td>$500m</td>
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</tbody>
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Market Losses

- Only $30 bn
  - plus
- Liability $10bn
  - plus
- Uninsured $9bn
  - equals
- $49 bn

Uncollectable Insurance

- FEMA
- Victims Compensation Fund
- Aon’s $90 million reserve
- Silverstein case

FEMA information

- Aid to Individuals and Families $ 255,106,592
- Direct Emergency Assistance from FEMA (US&R & Mission Assignments) $ 297,711,792
- Aid to Government and Non-Profits. $ 4,490,764,717
- Total $ 5,043,583,101
- Projected $9 billion
FEMA information

- Clean up costs
  - Debris removal $437m
  - Landfill & debris disposal $90m
  - Associated Costs $96m
  - Overtime
    - Police $295m
    - Fire $106m
    - PONY $29m
  - TOTAL $1053m

Original Estimate

- Clean up estimated at $7bn
- “Cleaning up the estimated 1.2 million tons of rubble left by the destruction of the World Trade Center could take up to a year and cost $7 billion, officials said Friday.”
- Sen. Hillary Rodham Clinton estimated that cleanup costs are running $100 million a week. Senate aides put the eventual cleanup cost at $7 billion.

Final Estimate

- Workers finished three months ahead of what city officials originally estimated, and the project cost about $750 million — approximately one-tenth of the initial $7 billion projected estimate — to clean up remains of the two 110-story buildings and surrounding area
Claim Surge

- One year statute of limitation against PONY
- Surge in writs defending positions
- These will remain dormant while compensation sought under Victims Compensation Fund (due to court ruling)
- Dec 21 2003 for latter
- Claims state that Port Authority, the World Trade Center’s owner, did not operate the complex in a safe and proper manner and specifically failed to provide for proper fire protection, emergency response and evacuation

Swiss Re v Silverstein

- Two trials -
  - November 4 to decide contractual issues
  - mid March to decide how much
  - but now deferred following Silverstein appeal
- Silverstein asking for $8.2bn against insurers $2.4 bn
- Wide apart - rumours of 1.6 loss being spoken about!

Swiss Re v Silverstein

- Some insurers settled with Silverstein on 1 loss basis
- Willis must testify & release details of E&O contract
- Silverstein says Travelers Form is binding and is silent on losses
- Swiss Re claim bound by WilProp form with only 1 loss
Swiss Re v Silverstein

- St Paul, Hartford & RSA settled under WilProp - but Silverstein appealing
- Does PONY wrap around the BI in respect of Silverstein coverage?

Aviation Losses

- Serious issues over number of aviation losses
- Claims of 4 losses - 2 reinsurance recoveries
- Resulting data is subject to serious scrutiny
- Market meeting with lawyers 11th October

Aviation Losses - Kuwait

- Unity approach
  - unity of intent
  - unity of time
  - unity of cause
  - unity of location.
- Possibly useful in events aggregation issues for WTC
Jurisdiction Issues

- Air Transportation Safety and System Stabilisation Act
- Section 408(b)(1) creates a federal and exclusive cause of action "for damages arising out of the hijacking and subsequent crashes ... on September 11, 2002".

Jurisdiction

- Section 408(b)(3) grants the US District Court for the Southern District of New York "original and exclusive jurisdiction over all actions brought for any claim (including any claim for loss of property, personal injury, or death) resulting from or relating to the terrorist-related aircraft crashes of September 11, 2001".

Jurisdiction

- Canada Life decision
- Although the Act’s jurisdictional provisions may apply broadly to actions filed by the individual victims, its scope did not apply to international reinsurance disputes
Jurisdiction

• Events cancellation - how remote from events!
  – "The court concluded that the dispute was "too remote" from the terrorist attacks to come within section 408(b)(3), the antique shows had been cancelled because of the government restrictions on the use of the intended venue, and were to be held "almost six miles from the World Trade Center, and to begin 13 and 32 days respectively after September 11"."
• Travel insurance - while in lifts!

Fema Report

Finally

• Geneva Association concluded
  – clear shift in understanding and managing risk
  – importance for modern financial economics of the insurance industry
  – that Insurance Industry was very resilient
• A total of $44.5bn in capital has been raised by p/c insurers since September 11, 2001 (Morgan Stanley)