

Office of  
*M. R. Greenberg*  
Chairman

PLAINTIFF'S  
EXHIBIT  
46

February 10, 2000

Messrs. K. Duckett ✓  
C. Schader ✓

RE: Warranty

It is well documented now that losses have been overstated between 25% and 30% by the TPAs handling this business. That does not include the likely shortage of premium that has taken place. That number has yet to be finalized. Nor does it take into account the excess losses above the number they have indicated where losses are excessively paid. In other words, processors were paying claims to enhance their relationship with their clients.

Chuck, I want you to continue to run off these losses in a professional way paying what we owe, not what has been done previously as projected by the Actuarial Department. Reinsuring the book to get it off our back is not a solution. No one is going to reinsure it at terms that would be satisfactory.

There is to be no consummation of reinsurance without my approval. Running the book off will take several years, and there are better ways of handling it than a simple reinsurance approach.

In the meantime, continue to pursue every avenue of recovering excess losses.

MRG

MRG/mb

cc: Messrs. E.G. Greenberg  
K. Moor  
Ms. S. Rivera