

Joseph H. Umansky

JH

3/4

PLAINTIFF'S
EXHIBIT
220

March 4, 2003

TO: M. R. Greenberg
H. I. Smith

RE: Special Re

RECEIVED
MAR 13 2003
EXECUTIVE FILES

✓
Please see attached.

JH

JHU:ge
Attachments

[Handwritten signature]

PLAINTIFF'S
EXHIBIT
87
DD 10/11/08

3-4-03

Special Re – notes and observations

The attached schedule indicates a \$103 million shortfall (NPV over funds available). This should be viewed relative to the funds available (\$4.3B), credit taken (\$6.1B), payout (10+ years), and the subjective nature of the estimate.

I am executing the 2003 plan I outlined to you in November, 2002. Key elements and their status are:

- Capco has been liquidated and the AIG contracts novated.
- Newbridge (equity linked notes) have been liquidated and the funds reinvested.
- Union Excess' reliance on SICO has been reduced.
- The implied discount has been reduced by \$100M vs. \$150M target; the difference being the new workers comp treaty.
- 2003 contracts are being limited to the DBG Aggregate Stop Loss and the AIU Aggregate. (est. \$425M of Gross Premium ceded).
- The older deals will stay in place until their natural expiry. They will begin to pay out this year.

Other matters:

- I am being asked by profit centers for discounting treaties – the most significant request from Environmental. I indicated that we have ceased placing those treaties unless specifically authorized.
- At this point, we will need to use Hannover Re in order to complete the 2003 placement. Hannover Re took the largest share of our 2002 treaties and the other reinsurers are cutting back this year.
- The cost of reinsurance is increasing somewhat and the scrutiny by reinsurers is increasing significantly. London Life Re will not be participating in 2003; their underwriting authority has been restricted. The situation is manageable, I just want to make you aware of the trend.
- Last month, Bank of Bermuda sold their interest in Union Excess to a new shareholder controlled by Michael Bradfield. OPL and Aviva are also interested in selling. No serious buyers have been identified yet.
- The retrocession of the assumed workers comp book (\$50M of premium for \$92M of limit) was executed last month with a new reinsurer. I am approaching new reinsurers cautiously.

February 28, 2003

SPECIAL REINSURANCE

(in millions)

	Ulti- mate Loss	NPV of Ulti- mate	Funds Avail- able	Over (Short)	Credit Taken
<u>AGGREGATE EXCESS / STOP LOSS</u>					
1. Aggregate Excess - 1984-1985	208	164	166	2	208
2. Abeille - 1988 - Retrospective	352	329	329	0	352
3. Abeille - 1991 - 10 Yr.	140	124	121	(3)	139
4. AIGRM Stop Loss - 1994	50	43	44	1	23
5. Division 50 - Blown Max - 1997	34	27	25	(2)	25
6. Aggregate Loss Ratio / Excess - 1996	625	326	275	(51)	548
7. Aggregate Loss Ratio / Excess - 1997	733	436	370	(66)	574
8. Aggregate Loss Ratio / Excess - 1998	800	455	378	(77)	583
9. Aggregate Loss Ratio / Excess - 1999	620	328	282	(48)	435
10. Aggregate Loss Ratio / Excess - 2000 (B)	652	337	296	(41)	460
11. Aggregate Loss Ratio / Excess - 2001 (B)	835	404	359	(45)	670
12. Aggregate Loss Ratio / Excess - 2002 (B)	900	368	368	0	640
13. DBG - Fac Obligatory - Aggregate Excess - 1999	361	224	224	0	361
14. AIU - Aggregate Excess - 1999	30	18	18	0	30
15. AIU - Aggregate Excess - 2000	30	17	17	0	30
16. DBG - Aggregate Excess - 1999	60	40	40	0	60
17. DBG - Aggregate Excess - 2000	60	33	33	0	60
18. Foreign General Aggregate - 2000	51	32	32	0	51
19. Foreign General Aggregate - 2001	64	38	38	0	64
20. Foreign General Aggregate - 2002	5	5	5	0	5
21. Personal Lines Auto Aggregate - 2000-2002	224	122	52	(70)	159
22. DBG Divisional Stop Loss - 7/2000 (B)	200	125	125	0	150
23. DBG Divisional Stop Loss - 1/2001 (B)	210	121	121	0	210
24. DBG Divisional Stop Loss - 7/2001 (B)	190	120	120	0	190
25. Starr Excess - Excess of Loss - 2001-2002	95	25	25	0	0
26. Workers Compensation Quota Share - 2002 (B)	92	50	50	0	92
Total Aggregate Excess / Stop Loss	7,619	4,311	3,913	(398)	6,117
<u>MISCELLANEOUS</u>					
27. Other - Active Contracts	62	62	144	82	29
28. Other - Commuted & Cancelled Contracts (A)	0	0	213	213	0
Total Miscellaneous	62	62	357	295	29
<u>TOTAL SPECIAL REINSURANCE</u>	7,681	4,373	4,270	(103)	6,146

(A) Commuted & Cancelled Accounts Funds:

Global Catastrophe Cover	131
Lexington Warehouse	117
DBG Replacement Treaties	(80)
Professional Liability (NU Agg X/S)-Div 65	(3)
All Others Including Interest on Balance	48
Total Commuted & Cancelled Contracts	213

03/03/2003
08:20 AM

(B) Fund is recorded as funds withheld by DBG and accrues interest