

## **Insurance Journal**

### **S&P Says WTC Trial Outcome Not a Rating Factor For Insurers**

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As the signature lawsuit from Sept. 11, 2001, makes its way through the federal court system, there is no foreseeable impact on insurer ratings, according to Standard & Poor's Ratings Services.

"Under the worse-case scenario for the insurers, a verdict in favor of the Silverstein interests would result in a doubling of the original policy limits of \$3.55 billion," said Steven Dreyer, managing director of Standard & Poor's Insurance Ratings Services. "Although the amount is obviously significant, the loss is well spread across the insurance industry. Silverstein's insurance program consisted of a primary and 11 excess layers in which more than 20 insurers and Lloyd's syndicates participated. The largest participant was Swiss Reinsurance Co., with a share of about 25 percent. Therefore, a verdict against the insurers is not, in itself, a trigger for further downgrades."

Rating concerns are also diluted by the lawsuit's duration. The jury trial, which began last week, is only one more step in a protracted legal process that has taken more than two years to come to trial.

The insurance contingent is partly banking on custom and precedent to argue that World Trade Center (WTC) leaseholder Larry Silverstein, with a \$3.55 billion limit per event, should be entitled to only one payout for the destruction of both WTC towers. That is what the insurance companies have budgeted for in their reserves following from agreements reached with their reinsurers.

Whether the attack on the WTC is deemed to be one event or two events, it will be a relatively small part of the overall liability picture spawned by Sept. 11, 2001. Unresolved business-interruption claims against insurers exceeded \$8 billion at mid-year 2003, according to PricewaterhouseCoopers. In addition, a large property claim involving Deutsche Bank is still partly at issue.

Moreover, by opting not to receive money from a federal victims' compensation fund by a December 2003 deadline, only 70 families remain at liberty to seek redress against corporations, agencies, and governments alike. Standard & Poor's sees the limited number of families eligible for such compensation as a positive for the insurance industry.

"Although the payouts from the WTC attack are significant, the insurance industry has learned how to employ better modeling techniques and to spread risk more efficiently," concluded Dreyer. "This case proves that point."