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ented by				<u> </u>		
Bhagavatula						
an, Inc.						
mber 20, 2010						
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nsurance	e Industry	Estimates		l .		
	A.M.	Best	My Estimate			
2001	\$65	oillion	\$70 billion			
2001 Current	\$65					
Current	\$65 \$75	billion	\$70 billion \$85 billion			
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Current	\$65 \$75	billion	\$70 billion \$85 billion			
Current nge of Actuaria	\$65 \$75 al Central Estimat	oillion oillion es: \$80 – 95 billion	\$70 billion \$85 billion			
Current Inge of Actuaria	\$65 \$75 al Central Estimat	in 2001?	\$70 billion \$85 billion			
Current Inge of Actuaria	\$65 \$75 al Central Estimat e Situation significant spil	oillion oillion es: \$80 – 95 billion	\$70 billion \$85 billion			
current Inge of Actuaria At was the We saw a defendants	\$65 \$75 al Central Estimat e Situation significant spil	in 2001?	\$70 billion \$85 billion			
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t was the We saw a: defendants Year M 1993 1994	\$65 \$75 al Central Estimat e Situation significant spil 3. lesothelioma Car 817 2 1,207 2	in 2001? (c) in claim filin (c) Non-Mal (151 23,005 536 20,702	\$70 billion \$85 billion n gs against Total 25,973 24,445			
at was the Wesawa a defendants Year M 1993 1994 1995	\$65 \$75 al Central Estimat Significant spil S. lesothelioma Car 817 2 1,207 2 1,306 3	in 2001? (ce in claim filin) (ce Non-Mal) (151 23,005 (536 20,702 (624 43,283)	\$70 billion \$85 billion n gs against Total 25,973 24,445 48,213			
at was the We saw a: defendants Year M 1993 1994	\$65 \$75 al Central Estimat P Situation Significant spil S. Selesothelioma Car 1,207 2 1,306 3 1,312 2	in 2001? (c) in claim filin (c) Non-Mal (151 23,005 536 20,702	\$70 billion \$85 billion n gs against Total 25,973 24,445			
at was the We saw a defendants Year M 1994 1995 1996	\$65 \$75 al Central Estimat Significant spil S. lesothelioma Car 817 2 1,207 2 1,207 2 1,347 3	in 2001? re in claim filin cer Non-Mal 151 23,005 536 20,702 624 43,283 887 43,824	\$70 billion \$85 billion n gs against Total 25,973 24,445 48,213 48,023			
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Current Inge of Actuaria Ing	\$65 \$75 al Central Estimate Situation Significant Spil 817	in 2001? (e in claim filin) (ce Non-Mal 151 23,005 536 20,702 624 43,283 887 43,824 132 28,978 828 38,539 863 40,815 156 57,955	\$70 billion \$85 billion n 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1			
Current Inge of Actuaria At was the was a defendants Year M 1993 1994 1995 1996 1997 1998 1999	\$65 \$75 al Central Estimat Se Situation Significant spil Selesothelioma Car 1,207 2 1,306 3 1,312 2 1,347 3 1,387 2 1,320 2 2,009 3 2,126 4	in 2001? Ke in claim filin 151 23,005 536 20,702 624 43,283 887 43,824 132 28,978 828 38,539 863 40,815	\$70 billion \$85 billion n Total 25,973 24,445 48,023 33,457 42,754 45,198			

What was the situation in 2001?

- The number of defendants exposed to asbestos was believed to be over 8,000 (practically every industry was touched by asbestos in some way).
- Bankruptcies on the rise.
- A large percentage of the claims were non-malignant claims.
- There was a realization that past projections were too low.
- Tort reforms, medical tests to show actual injury, etc. were recognized as important.
- Calls for federal legislation and trust fund.

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Current Situation

- Number of exposed defendants continues to be large.
- Tort reform / medical criterion requirement efforts have paid off as we see a significant decline in non-malignant claim filings.

	2000-2002	2 Actual	2008-2010 E	Benchmark
	Annual Level	% of Total	Annual Level	% of Total
Mesothelioma	2,100	2.8%	2,000	13.3%
Other Cancer	3,700	4.9%	3,000	20.0%
Total Malignant	5,800	7.7%	5,000	33.3%
Non-Malignant	69,700	92.3%	10,000	66.7%

5

US Insurance Industry Estimates

 Total Tab for All Parties
 US Insurance Industry Tab

 2001
 \$275 billion
 \$70 billion

 Current
 \$275 billion
 \$85 billion

- Total tab for all parties has not changed, although amount for malignant claims has increased while amount for nonmalignant claims has decreased.
- Amount to be borne by US insurance industry has increased because:
 - Premises / operations or non-products exposure was assumed to be insignificant in 2001.
 - Significant shift in defendants involved in asbestos litigation leads to availability of more insurance limits.

6

Insurance Indus	stry Sentiment
In 2001	Top issue in management's mind
Current	Growth in recognized losses has slowed down considerably.
	Asbestos can be managed over 10 – 20 year horizon. There are other
	issues that take up management's time: soft market, low investment returns, shrinking policyholder base.
	317
7	

	Cumulative		Incremental		
I	Paid	Recognized	Paid	Recognized	
1999	20.7	31.1			
2000	22.1	32.6	1.4	1.5	
2001	23.5	36.4	1.4	3.8	
2002	25.6	44.6	2.1	8.2	
2003	28.0	50.8	2.4	6.2	
2004	31.4	55.0	3.4	4.2	
2005	33.8	59.9	2.4	4.9	
2006	36.6	62.1	2.8	2.2	
2007	39.8	65.2	3.2	3.1	
2008	42.9	66.4	3.2	1.2	
2009	45.1	68.5	2.2	2.0	

What are the threats?

- 1. Mesothelioma claims are being targeted.
- 2. There may be an uptick in propensity to sue.
- 3. Awards for mesothelioma claims are on the rise.
- Non-Products exposure could become a significant issue
 currently we are assuming an additional 5-8% of
 products insurance losses for non-products exposure.
- 5. The shifting of losses to new defendants with available limits continues.

9