

String of policyholder-friendly rulings ...

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Pending cases

Allan Kanner, president of the Louisiana Association for Justice, said the recent policyholder-friendly decisions from the 5th Circuit are affecting cases that are still pending in U.S. District Court in New Orleans.

In the Jan. 13 decision in the case of the Slidell apartment complex Pontchartrain Gardens Inc. v. State Farm General Insurance Co., for example, Chief Judge Sarah Vance quotes from the 5th Circuit's ruling in Gisleson's Dickerson case in saying that State Farm misapplied the burden of proof.

"It's also having a trickle-down effect," Kanner said. "This will probably accelerate the resolution of the remaining cases and lay a

good foundation if there's another storm in the future."

Gisleson said he doesn't expect to see another string of rulings like the current one to come out of the 5th Circuit. Although there are still many hurricane cases in federal court in New Orleans, most cases have been getting resolved through a settlement rather than going to trial.

How did this string of consumer friendly rulings quickly end?

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Allstate asked to report inappropriate CDS writing

Reuters, April 17, 2009

The New York insurance regulator said on Friday it asked Allstate Corp (ALL.N: Quote, Profile, Research) to report its business in unregulated credit derivatives markets following a column written by the insurance company's chief executive that suggested it has such business.

The New York Insurance Department, which regulates insurers in the state, said it also asked the largest U.S. publicly traded home and auto insurer to share its knowledge of other companies that conducted unregulated writing of credit default swaps, or CDS.

Tom Wilson, Allstate's CEO, wrote that his company "played only a small role in unregulated insurance markets" in a column published April 16, which also called for a federal regulator instead of "the hodgepodge of state regulatory systems."

Eric Dinallo, the regulator's superintendent, said in a statement that although the CDS market is unregulated, insurance companies are; it is illegal for an insurer to write a CDS that has not been approved by the state regulator "under limited conditions," he said.

"If Allstate broke the law or is aware of any other insurance company that broke the law, Allstate should immediately report that conduct," Dinallo said, adding, "the last thing an insurance executive should be doing now is undercutting consumer confidence."

The regulator said it has asked Allstate's New York companies to immediately report any "inappropriate or unregulated" CDS use.

Allstate was not immediately available for comment.

CDS are contracts that insure against the default of a debt issuer. The global and interconnected \$28 trillion market has been blamed for exacerbating the credit crisis following the collapse of U.S. insurer AIG (AIG.N: Quote, Profile, Research), a major CDS writer.

Wilson's column, published in The New York Times, argued that industry, regulators, banks and credit rating agencies share blame for the crisis. He said states "lack the expertise to properly oversee rapid innovation

or systemic risks."

Allstate's shares were down 3.1 percent at \$23.25 on the New York Stock Exchange.



No matter how you want to spin it, these investments were nothing more than toilet paper.