

Summary

- ➡ The September 11th attack was a ***single, coordinated terrorist attack.***
- ➡ This is a contract case — ***a deal is a deal.***
- ➡ The Silverstein Parties' intent was a ***consistent, layered program with coverage for terrorism up to \$3.5 billion.***
- ➡ The September 11th attack is ***ONE OCCURRENCE.***
- ➡ Silverstein Parties' post loss statements recognize the September 11th attack is ***ONE OCCURRENCE.***

The Insurers Gave the Silverstein Parties What They Wanted

SILVERSTEIN PARTIES

TERMS OF INSURANCE PROGRAM

Coverage for Terrorism

One Insurance Program

**Broad (Aggregating)
Meaning of Occurrence**

**Consistency Throughout
the Layered Program**

The Insurers Gave the Silverstein Parties What They Wanted

SILVERSTEIN PARTIES

TERMS OF INSURANCE PROGRAM

Coverage for Terrorism



One Insurance Program



**Broad (Aggregating)
Meaning of Occurrence**



**Consistency Throughout
the Layered Program**



The *MUTUAL INTENT* of the Parties to the Insurance Contract

SILVERSTEIN PARTIES

Coverage for Terrorism

One Insurance Program

Broad (Aggregating)
Meaning of Occurrence

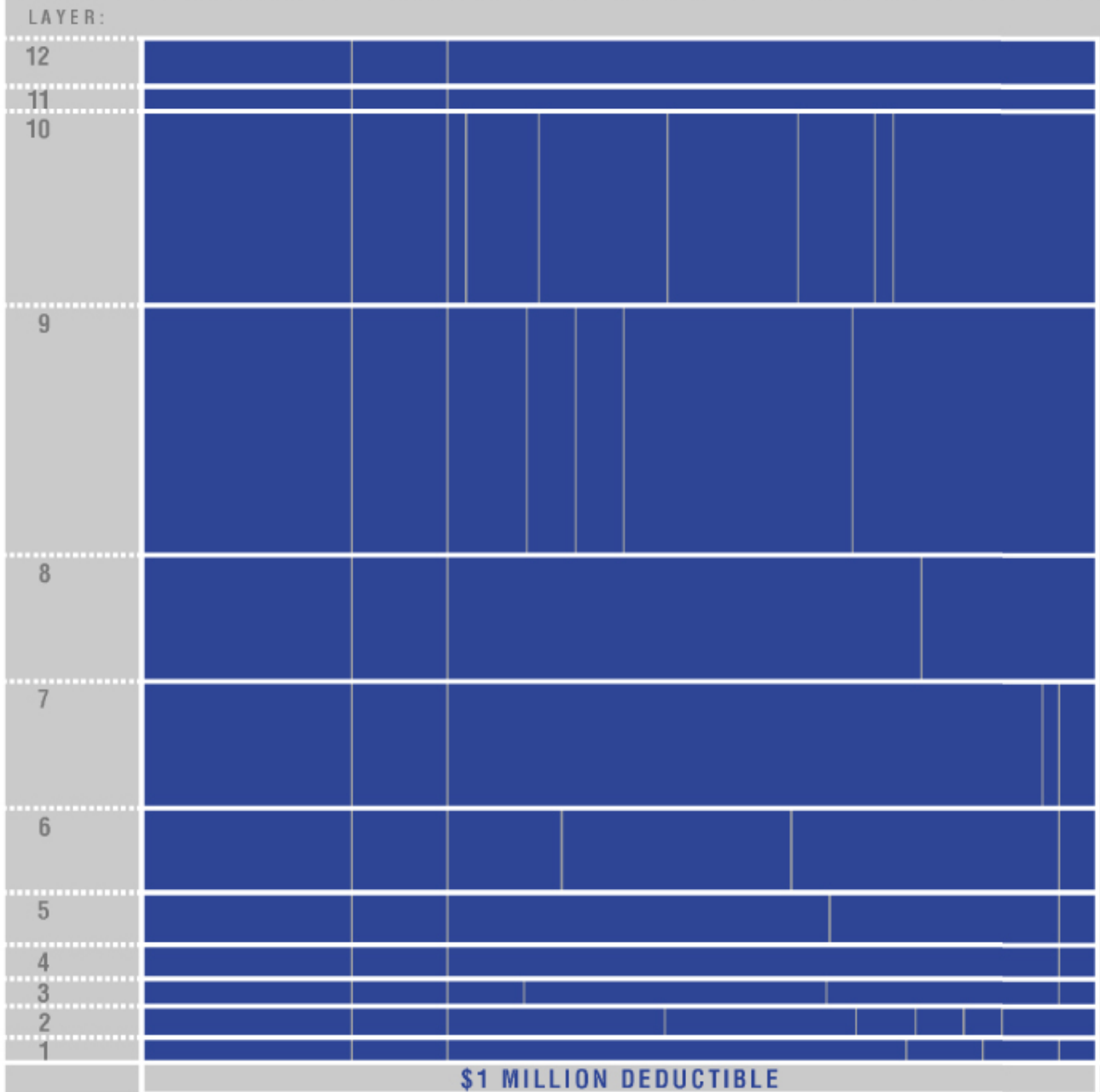
Consistency Throughout
the Layered Program

TRAVELERS



There are “***NO REAL MATERIAL DIFFERENCES***” between
WilProp and Travelers.

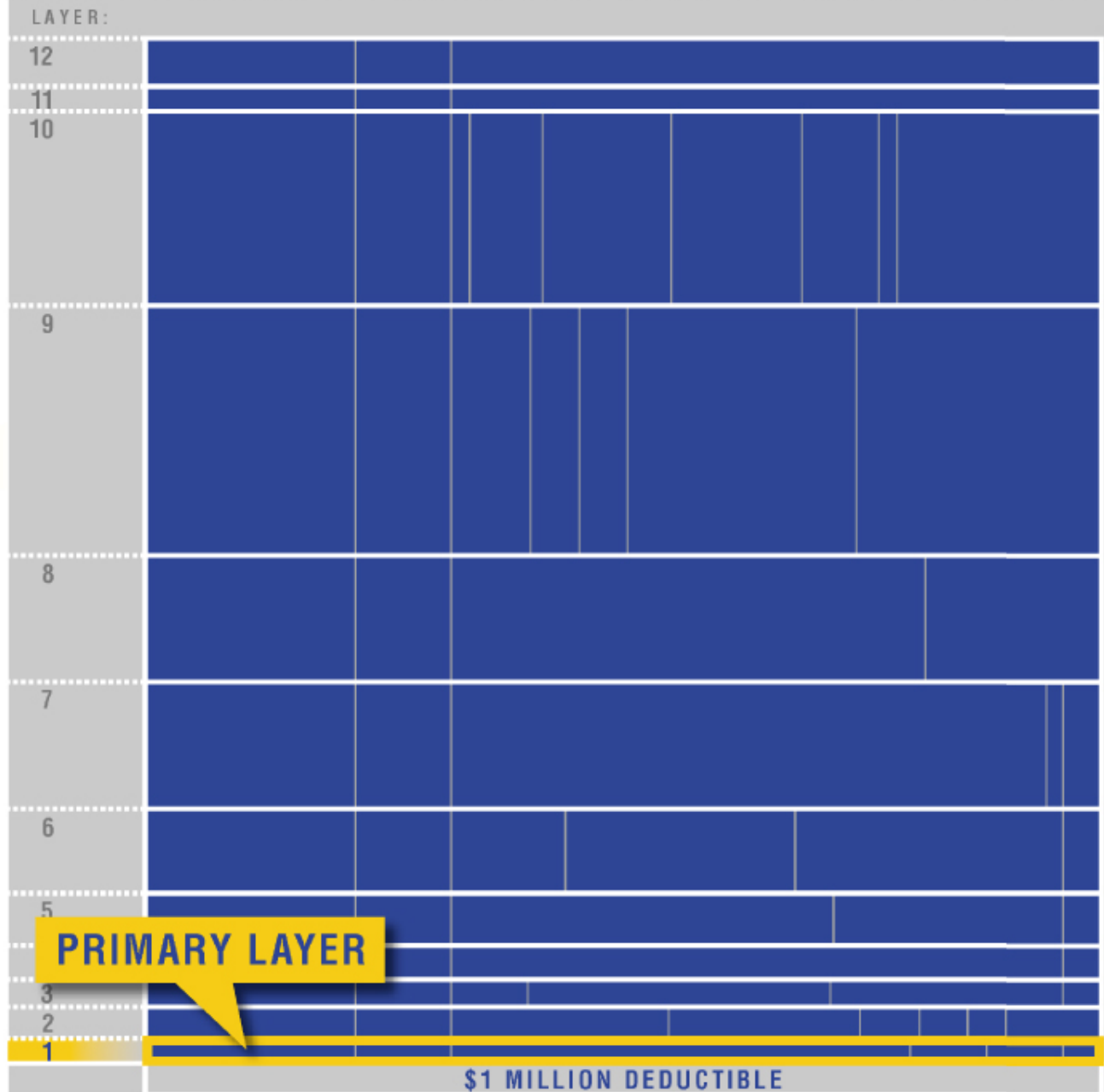
The \$3.5468 Billion
Insurance Program
for the
World Trade Center
*CONSISTED
OF 12 LAYERS*



DEDUCTIBLE

The \$3.5468 Billion
Insurance Program
for the
World Trade Center
*CONSISTED
OF 12 LAYERS*

PRIMARY LAYER



The \$3.5468 Billion
Insurance Program
for the
World Trade Center
*CONSISTED
OF 12 LAYERS*

EXCESS LAYERS

LAYER:

12

11

10

9

8

7

6

5

4

3

2

1

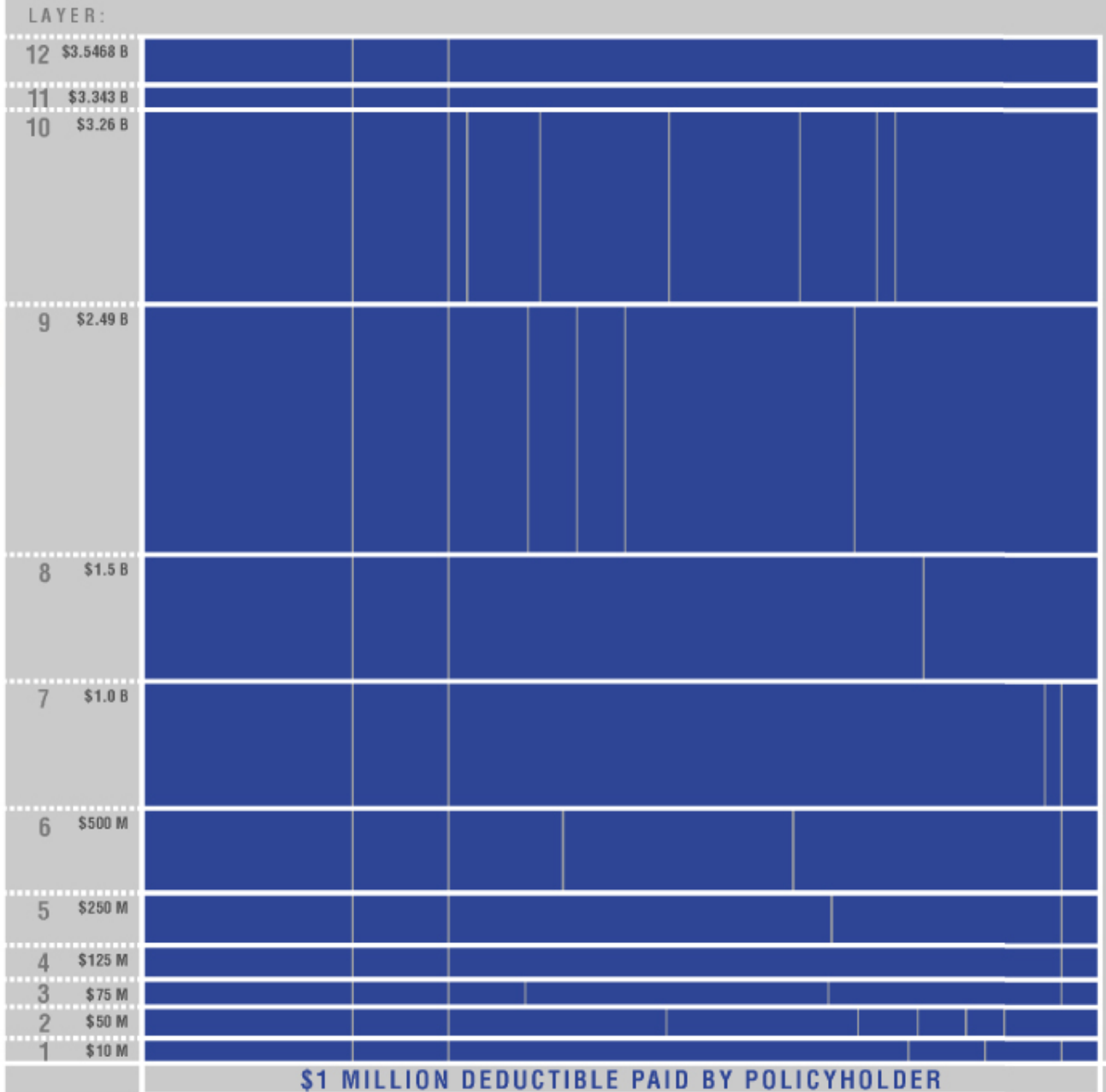
\$1 MILLION DEDUCTIBLE

The \$3.5468 Billion Insurance Program for the World Trade Center

EXAMPLE

\$51 MILLION **LOSS**
 - \$1 MILLION **DEDUCTIBLE**

\$50 MILLION COVERED



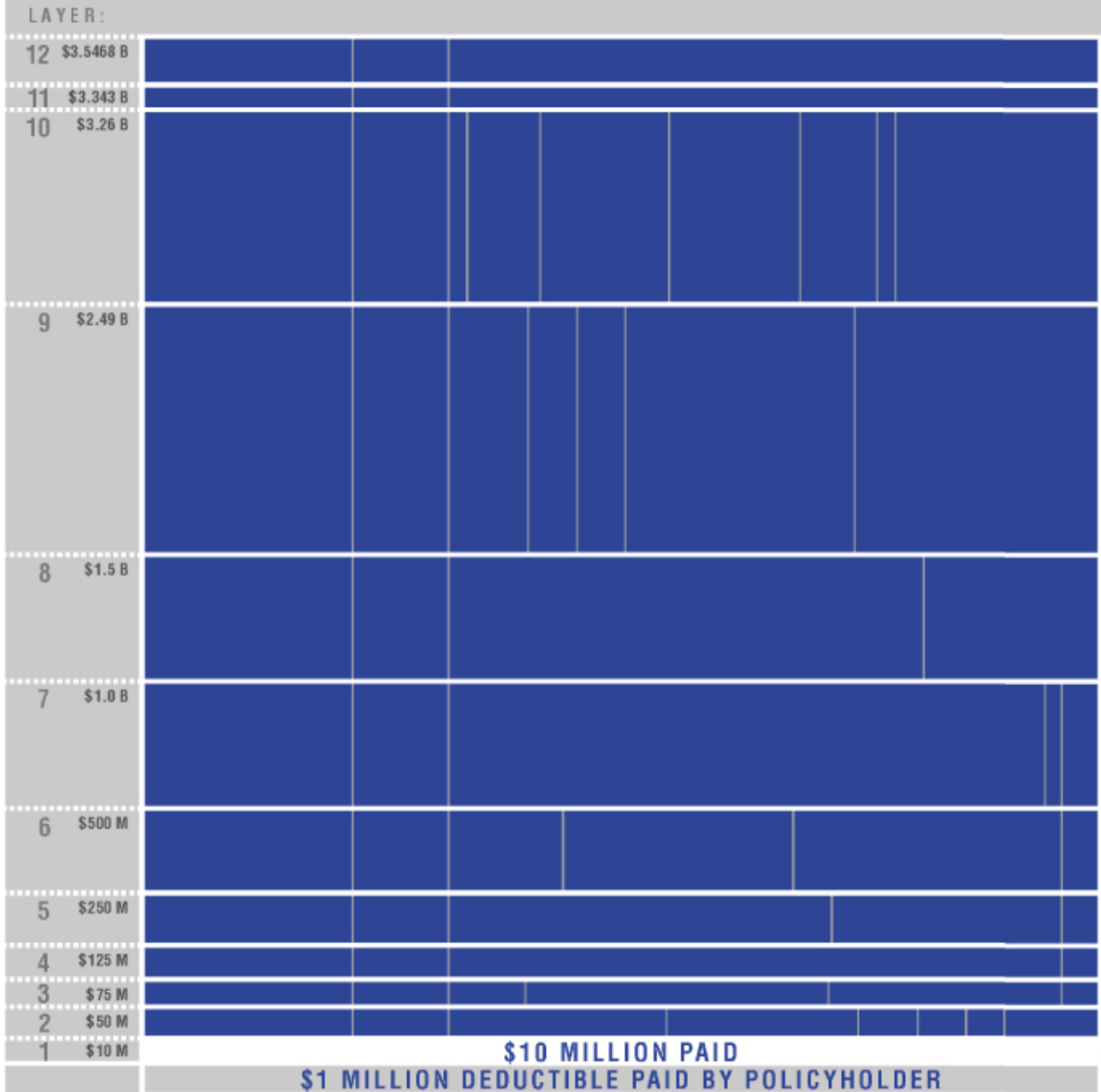
The \$3.5468 Billion Insurance Program for the World Trade Center

EXAMPLE

\$51 MILLION **LOSS**
 - \$1 MILLION **DEDUCTIBLE**

 \$50 MILLION **COVERED**
 - \$10 MILLION **LAYER 1**

 \$40 MILLION **EXCESS COVERED**



The \$3.5468 Billion Insurance Program for the World Trade Center

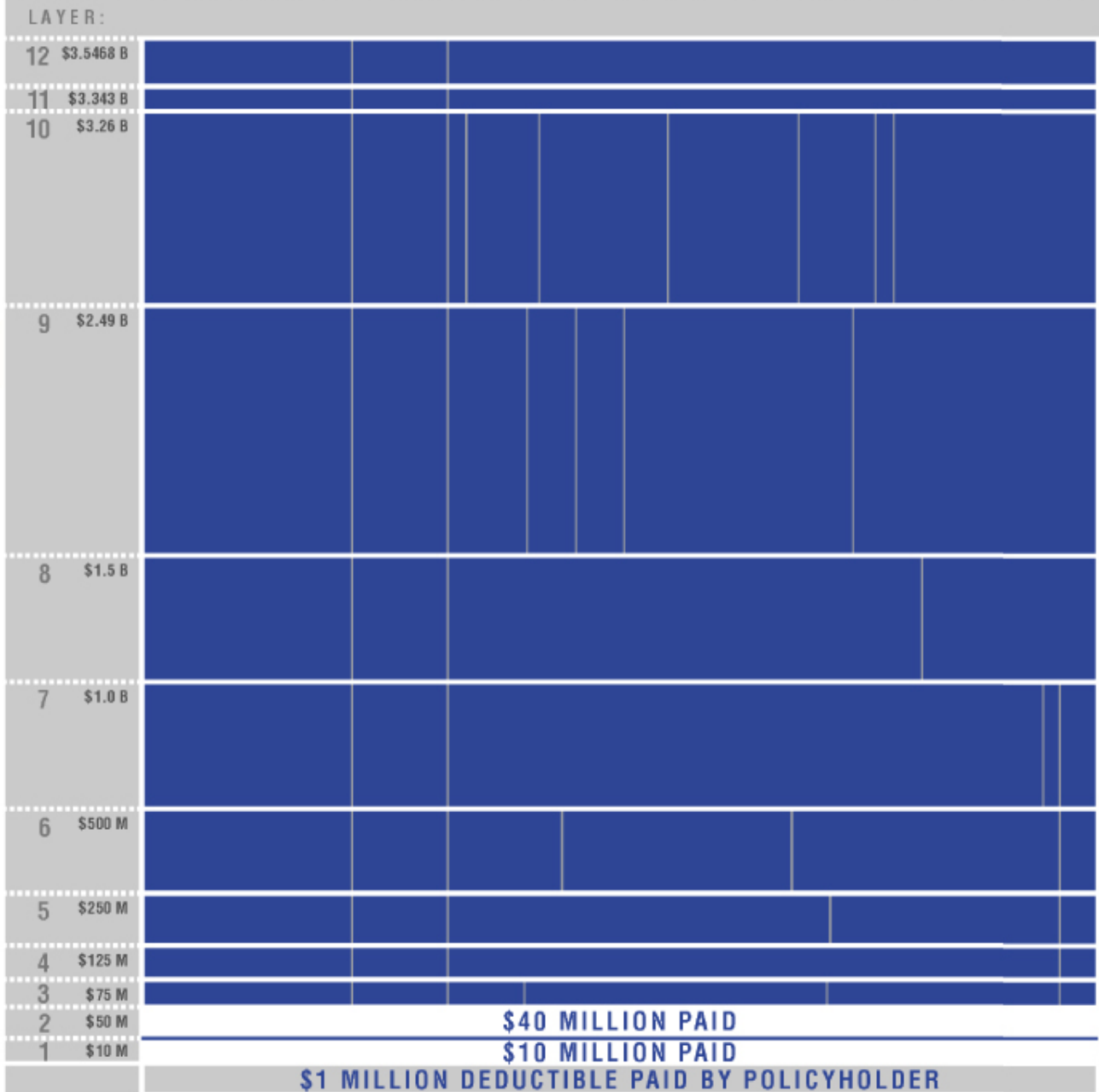
EXAMPLE

\$51 MILLION **LOSS**
 - \$1 MILLION **DEDUCTIBLE**

 \$50 MILLION **COVERED**
 - \$10 MILLION **LAYER 1**

 \$40 MILLION **EXCESS COVERED**
 - \$40 MILLION **LAYER 2**

CLAIM PAID



The \$3.5468 Billion Insurance Program for the World Trade Center

EXAMPLE

\$51 MILLION **LOSS**
 - \$1 MILLION **DEDUCTIBLE**

 \$50 MILLION **COVERED**
 - \$10 MILLION **LAYER 1**

 \$40 MILLION **EXCESS COVERED**
 - \$40 MILLION **LAYER 2**

CLAIM PAID

LAYER:

12 \$3.5468 B

11 \$3.343 B

10 \$3.26 B

9 \$2.49 B

8 \$1.5 B

7 \$1.0 B

6 \$500 M

4 \$125 M

3 \$75 M

2 \$50 M

1 \$10 M

Swiss Re

Allianz

TIG

Zurich

Twin

Royal

TM

Cop Re

22%

10%

22.75%

20%

6.25%

5%

4%

10%

\$40 MILLION PAID

\$10 MILLION PAID

\$1 MILLION DEDUCTIBLE PAID BY POLICYHOLDER

The \$3.5468 Billion Insurance Program for the World Trade Center

EXAMPLE

\$51 MILLION **LOSS**
 - \$1 MILLION **DEDUCTIBLE**

\$50 MILLION COVERED
 - \$10 MILLION **LAYER 1**

\$40 MILLION EXCESS COVERED
 - \$40 MILLION **LAYER 2**

CLAIM PAID

LAYER:

12 \$3.5468 B

11 \$3.343 B

10 \$3.26 B

9 \$2.49 B

8 \$1.5 B

7 \$1.0 B

6 \$500 M

5 \$250 M

3 \$75 M

2 \$50 M

1 \$10 M

Wausau

20%

Allianz

10%

Lexington

50%

Travelers

8%

Royal

8%

HC

4%

\$10 MILLION PAID

\$1 MILLION DEDUCTIBLE PAID BY POLICYHOLDER

CONSISTENCY

in the Layered Insurance Program

LAYER: INSURERS:

12 \$3.5468 B

Swiss Re	Allianz	London				
----------	---------	--------	--	--	--	--

11 \$3.343 B

Swiss Re	Allianz	XL Insurance				
----------	---------	--------------	--	--	--	--

10 \$3.26 B

Swiss Re	Allianz	Swiss Re (UK)	Wausau	Royal	Travelers	Gulf	Zurich	London
----------	---------	---------------	--------	-------	-----------	------	--------	--------

9 \$2.49 B

Swiss Re	Allianz	Swiss Re (U.K.)	Royal Global	ACE	IRI	Federal		
----------	---------	-----------------	--------------	-----	-----	---------	--	--

8 \$1.5 B

Swiss Re	Allianz	ACE					London	
----------	---------	-----	--	--	--	--	--------	--

7 \$1.0 B

Swiss Re	Allianz	London					OBE	GL
----------	---------	--------	--	--	--	--	-----	----

6 \$500 M

Swiss Re	Allianz	St. Paul	Travelers		Allianz			GL
----------	---------	----------	-----------	--	---------	--	--	----

5 \$250 M

Swiss Re	Allianz	Travelers				Zurich		GL
----------	---------	-----------	--	--	--	--------	--	----

4 \$125 M

Swiss Re	Allianz	Hartford						GL
----------	---------	----------	--	--	--	--	--	----

3 \$75 M

Swiss Re	Allianz	HC	Allianz			Travelers			GL
----------	---------	----	---------	--	--	-----------	--	--	----

2 \$50 M

Swiss Re	Allianz	TIG		Zurich		Twin	Royal	TM	Cop Re
----------	---------	-----	--	--------	--	------	-------	----	--------

1 \$10 M

Wausau	Allianz	Lexington					Travelers	Royal	HC
--------	---------	-----------	--	--	--	--	-----------	-------	----

\$1 MILLION DEDUCTIBLE

CONSISTENCY
in the Layered
Insurance Program
WilProp Insurers



**One Occurrence
(WilProp 2000)**

LAYER: INSURERS:

12 \$3.5468 B

Swiss Re London

11 \$3.343 B

Swiss Re XL Insurance

10 \$3.26 B

Swiss Re Swiss Re (U.K.) Wausau London

9 \$2.49 B

Swiss Re Swiss Re (U.K.) Royal Global ACE Federal

8 \$1.5 B

Swiss Re ACE London

7 \$1.0 B

Swiss Re London OBE GL

6 \$500 M

Swiss Re St. Paul GL

5 \$250 M

Swiss Re GL

4 \$125 M

Swiss Re Hartford GL

3 \$75 M

Swiss Re HC GL

2 \$50 M

Swiss Re Cop Re

1 \$10 M

Wausau Lexington HC

\$1 MILLION DEDUCTIBLE

WilProp 2000

Occurrence:

“Occurrence” shall mean all losses or damages that are attributable directly or indirectly to one cause or to one series of similar causes. All such losses will be added together and the total amount of such losses will be treated as one occurrence irrespective of the period of time or area over which such losses occur.

LAYER: INSURERS:

12	\$3,546.8 B	Swiss Re	London
11	\$3,343 B	Swiss Re	XL Insurance
10	\$3.26 B	Swiss Re	Swiss Re (UK) Wausau London
9	\$2.49 B	Swiss Re	Swiss Re (U.K.) Royal Global ACE Federal
8	\$1.5 B	Swiss Re	ACE London
7	\$1.0 B	Swiss Re	London GL
6	\$500 M	Swiss Re	St. Paul GL
5	\$250 M	Swiss Re	GL
4	\$125 M	Swiss Re	Hartford GL
3	\$75 M	Swiss Re	HC GL
2	\$50 M	Swiss Re	Cop Re
1	\$10 M	Wausau	Lexington HC

\$1 MILLION DEDUCTIBLE

022C

CONSISTENT Meaning of “Occurrence”

WILPROP 2000

“Occurrence” shall mean all losses or damages that are attributable directly or indirectly to one cause or to one series of similar causes.

All such losses will be added together and the total amount of such losses will be treated as one occurrence **irrespective of the period of time or area over which such losses occur.**

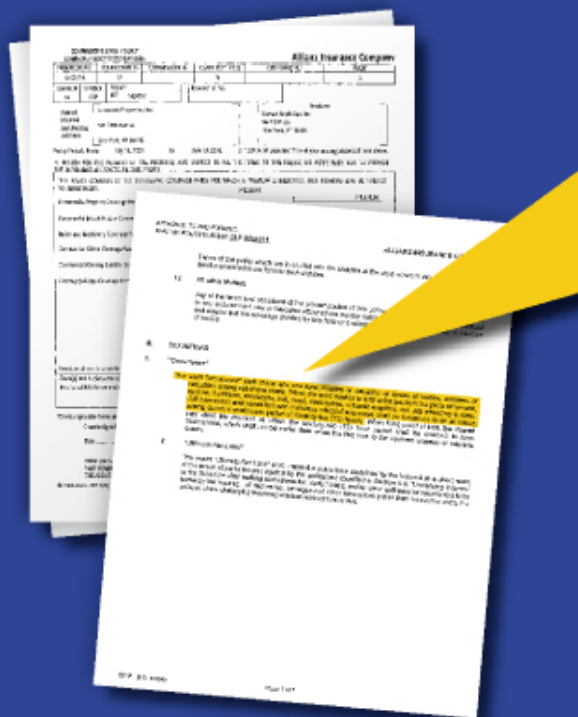
ALLIANZ

The word “occurrence” shall mean any one loss, disaster or casualty, or series of losses, disasters or casualties arising out of one event.

When the word [“occurrence”] applies to loss or **losses from the perils of... vandalism and malicious mischief** one event shall be construed to be all losses arising during a **continuous period of seventy-two (72) hours.**

Consistent Meaning of “Occurrence”

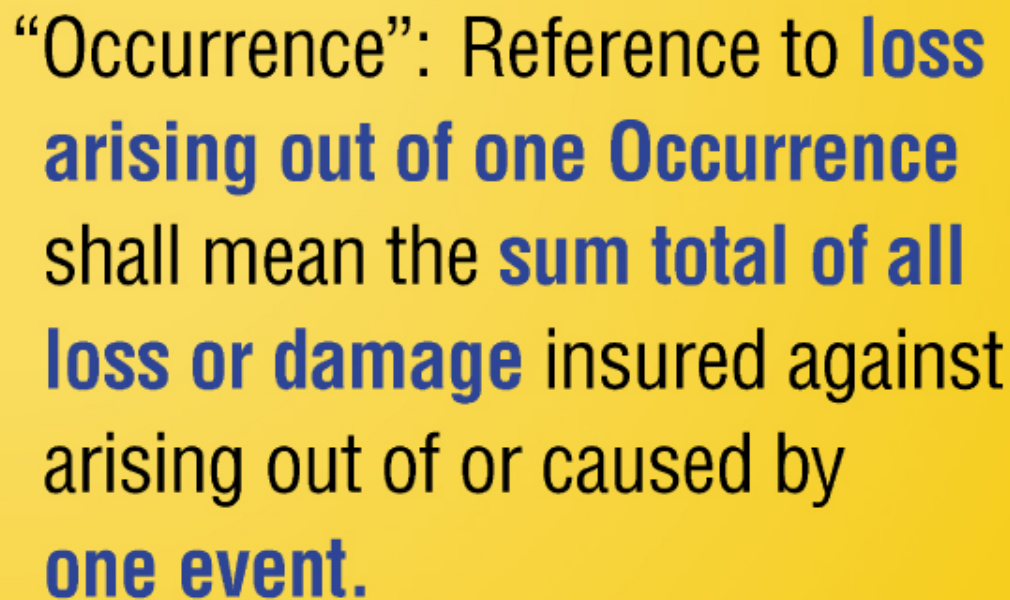
ALLIANZ DEFINITION



The word “**occurrence**” shall mean any one loss, disaster or casualty, or **series of losses, disasters** or casualties **arising out of one event.**

When the word applies to loss or losses from the perils of tornado, cyclone, hurricane, windstorm, hail, flood, earthquake, volcanic eruption, riot, riot attending a strike, civil commotion and vandalism and malicious mischief one event shall be construed to be all losses arising during a continuous period of seventy-two (72) hours.

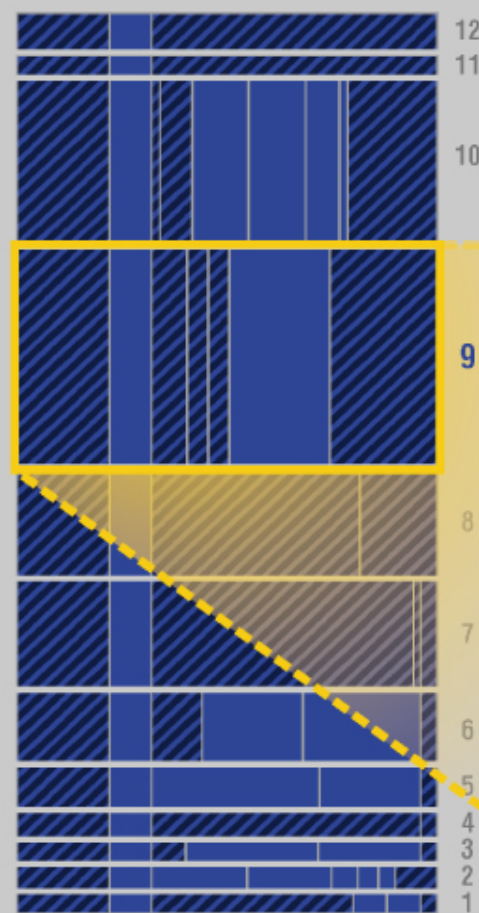
IRI STANDARD PROPERTY INSURANCE FORM





064

All Insurers Within a Layer Take on the ***SAME RISK*** and Are Paid the ***SAME MONEY (PREMIUM)***

LAYER 9 — \$993 MILLION OF COVERAGE



 One Occurrence (WilProp 2000)
 Insurers in this Trial

S A M E R I S K

\$218.5 MILLION **\$99.3** MILLION **\$83.3** MILLION **\$50.4** MILLION **\$49.9** MILLION **\$237.2** MILLION **\$254.3** MILLION



LAYER 9 PREMIUM: **\$820,575**

S A M E M O N E Y

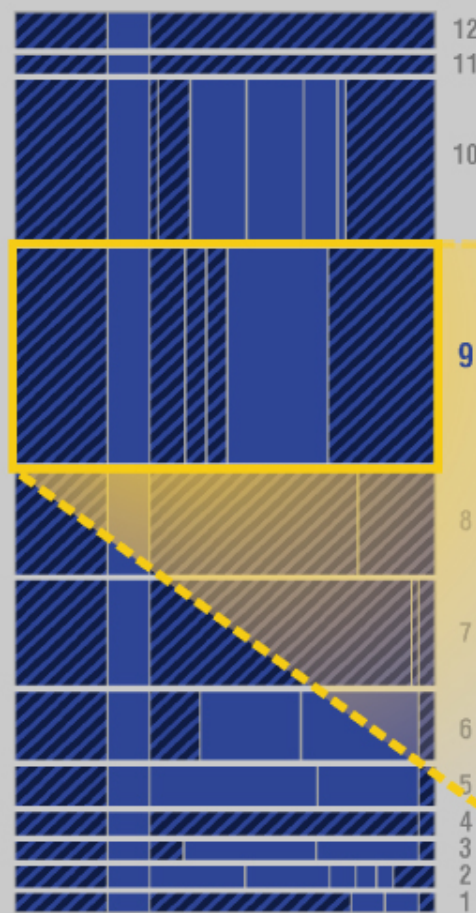
\$2.49 B

\$993M

\$1.5 B

All Insurers Within a Layer Take on the ***SAME RISK*** and Are Paid the ***SAME MONEY (PREMIUM)***

LAYER 9 — \$993 MILLION OF COVERAGE



One Occurrence (WilProp 2000)
Insurers in this Trial

DIFFERENT RISK

~~\$218.5 MILLION~~ ~~\$299.3 MILLION~~ ~~\$83.3 MILLION~~ ~~\$50.4 MILLION~~ ~~\$49.9 MILLION~~ ~~\$237.2 MILLION~~ ~~\$254.3 MILLION~~
UP TO \$198.6 MILLION UP TO \$474.4 MILLION

Swiss Re Allianz Swiss Re (U.K.) Royal Global ACE IRI Federal

MORE RISK

MORE RISK

\$2.49 B

\$993M

\$1.5 B

LAYER 9 PREMIUM: **\$820,575**

S A M E M O N E Y

CONSISTENT Meaning of "Occurrence"



**One Occurrence
(WilProp 2000)**



**Insurers
in this Trial**

LAYER: INSURERS:

12 \$3.5468 B

Swiss Re Allianz London

11 \$3.343 B

Swiss Re Allianz XL Insurance

10 \$3.26 B

Swiss Re Allianz Swiss Re (UK) Wausau Royal Travelers Gulf Zurich London

9 \$2.49 B

Swiss Re Allianz Swiss Re (U.K.) Royal Global ACE IRI Federal

8 \$1.5 B

Swiss Re Allianz ACE London

7 \$1.0 B

Swiss Re Allianz London OBE GL

6 \$500 M

Swiss Re Allianz St. Paul Travelers Allianz GL

5 \$250 M

Swiss Re Allianz Travelers Zurich GL

4 \$125 M

Swiss Re Allianz Hartford GL

3 \$75 M

Swiss Re Allianz HC Allianz Travelers GL

2 \$50 M

Swiss Re Allianz TIG Zurich Twin Royal TM Cop Re

1 \$10 M

Wausau Allianz Lexington Travelers Royal HC

\$1 MILLION DEDUCTIBLE

Occurrence:

“Occurrence” shall mean **all losses** or damages that are attributable directly or indirectly to one cause or to one **series of similar causes**. **All such losses will be added together** and the total amount of such losses will be treated as **one occurrence** irrespective of the period of time or area over which such losses occur.

CONSISTENT MEANING OF OCCURRENCE:

- ➔ **IRI:** “...**sum total of all loss** or damage...arising out of or caused by **one event**.”
- ➔ **ALLIANZ:** “...**series of losses, disasters** or casualties arising out of **one event**.”
- ➔ **ZURICH:** “...**series of losses** arising out of a **single event**.”
- ➔ **TIG:** “...**total loss** by perils insured against arising out of a **single event**.”
- ➔ **TWIN CITY:** “...**series of losses, disasters**, or casualties arising out of **one event**.”
- ➔ **ROYAL:** “...**series of losses** arising out of **one event**...”
- ➔ **GULF:** “...damage to property covered hereunder arising from **any one loss or disaster**....”
- ➔ **TRAVELERS:** There are “**no real material differences**” between Travelers and WilProp.
- ➔ **TOKIO MARINE:** There are “**no real material differences**” between [Tokio Marine] and WilProp.

**Silverstein Parties
Made a
Business Decision
to Insure the
World Trade Center
for \$3.5 Billion**

\$ 5.4 Billion

\$5.0 Billion

\$ 4.8

\$ 4.2

\$ 3.6

\$ 3.0

\$ 2.4

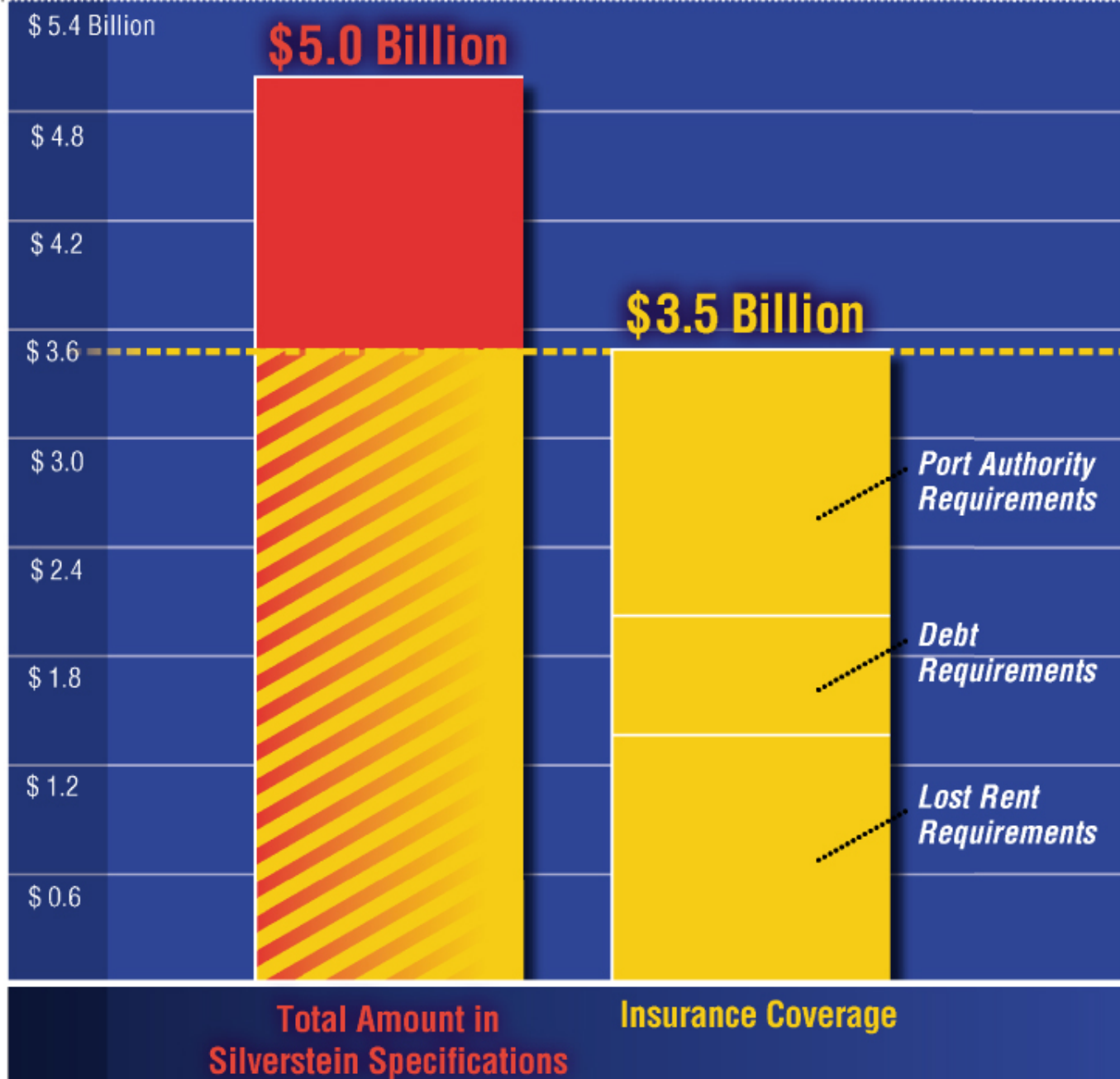
\$ 1.8

\$ 1.2

\$ 0.6

**Total Amount in
Silverstein Specifications**

**Silverstein Parties
Made a
Business Decision
to Insure the
World Trade Center
for \$3.5 Billion**



Silverstein Properties Travelers Form Review

Silverstein Properties Travelers Form Review

Property Coverage Form MS C1 00 01 00

B1a4 - Page 1 of 13 - Personal property used to service building is covered. No need for contractor's equipment? Probably not an issue, this insurance will be excess of contractors own insurance and is sub-limited anyway.
Coverage referenced here is for PP of the insured (not contractors); policy has \$10m SIL on contr's equipment & a separate endr, which I sent you. Therefore, I agree it's probably not an issue. (Is the coverage even required/necessary?)

B1a5 - Page 1 of 13 - Delete or modify 1000 ft. limitation. This is indeed a very short distance for an island like Manhattan that can be bottled up. Perhaps we can get an increase.
Real & personal property of the insured beyond 1000' of the premises is covered as Unreported Premises (MS C1 28 01 00) or covered property at undescribed premises (MS C1 00 01 00 item B 1 i.), subject to a (\$5m) sublimit.

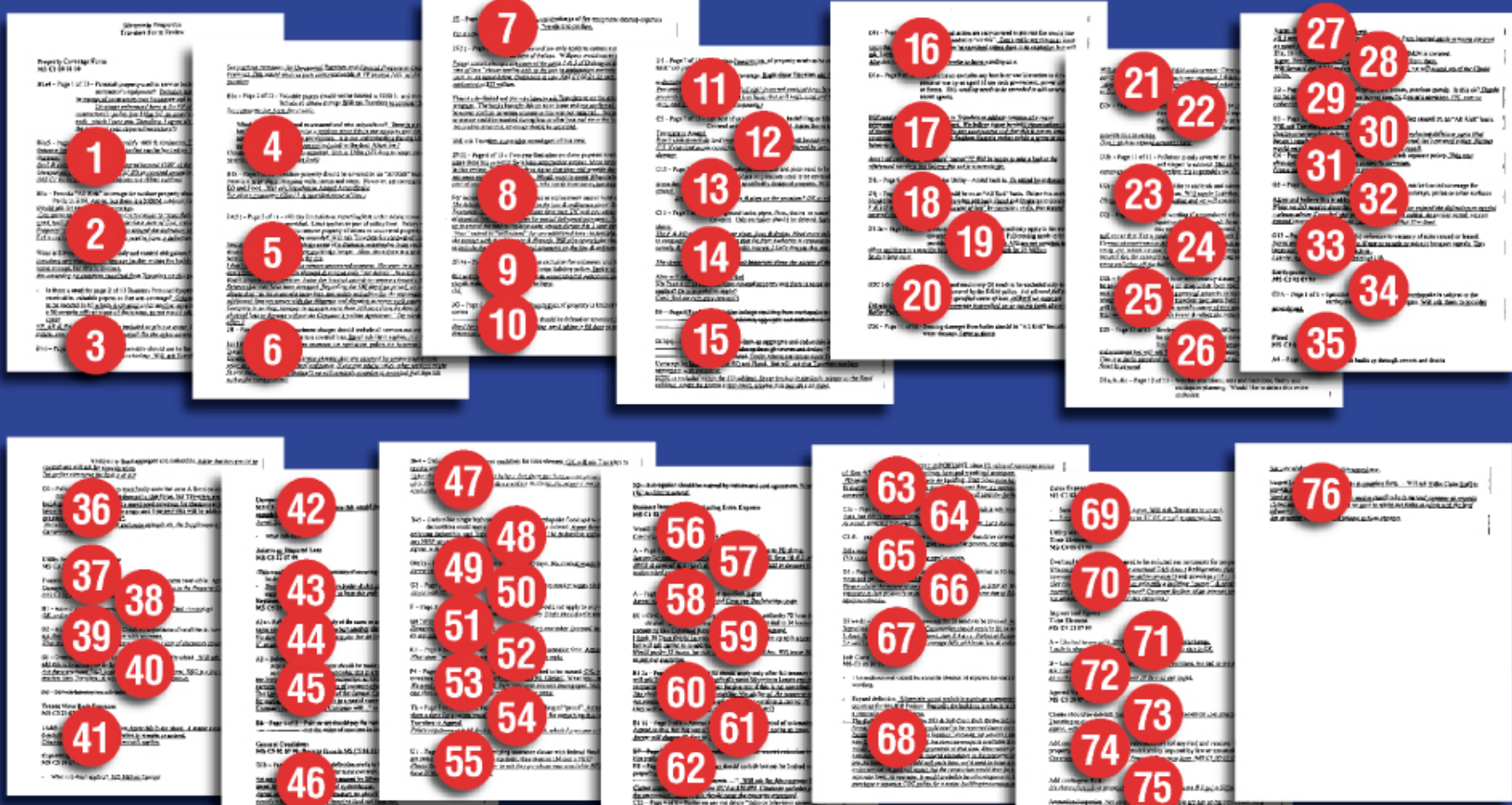
B1a - Provide "All Risk" coverage for outdoor property should not be limited to named Perils in B1H. Agree, but there is a \$500M sublimit for Flood and EQ, so we should ask for ensuing peril coverage.
Can agree to amend from 6 (non-CAT) causes to "specified causes of loss (which incl wind, hail, F, EQ, etc, but to include these Acts of God, would want to SIL "Outdoor Property" to \$5m. Can also agree to expand the definition of "outdoor property" if you feel it isn't inclusive enough, we do need to have a definition however.

What is Silverstein's - care custody and control obligations? Silverstein are not operating any warehouse or storage facility within the building. The retail areas contain some storage, but this is in-store.
Am assuming no comment required from Travelers on this point.

- Is there a need for page 2 of 13 Business Personal Property - EDP cover, accounts receivable, valuable papers or fine arts coverage? Originally, Silverstein office was to be located in #7 which is covered under another program. But now there is talk of a Silverstein office in one of the towers, so we would ask Travelers to provide this cover.
VP, AR & FA have \$5m SIL's we included as p/o our quote. Given the separate fine arts policy, can this coverage be eliminated? Do the other coverages remain necessary?

B1d - Page 2 of 13 - Accounts receivable should not be limited to 1000 ft. and should include offsite backup. Will ask Travelers to consider this.

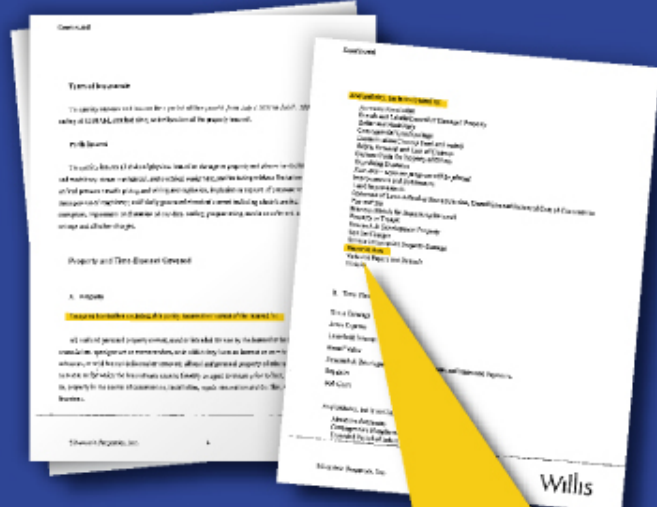
Silverstein Properties Travelers Form Review



The *MUTUAL INTENT* of the Parties to the Insurance Contract *COVERAGE FOR TERRORISM*

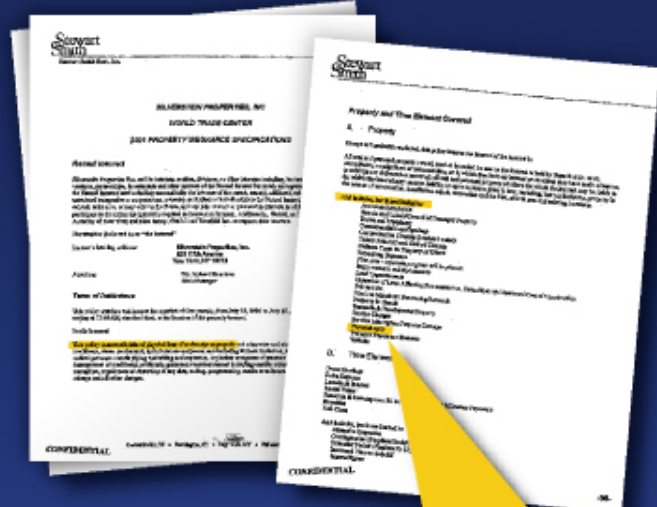
REQUESTED BY THE SILVERSTEIN PARTIES

Willis' Property Underwriting Submission



Except as hereinafter excluded, this policy insures the interest of the Insured in:
* * * * *
And includes, but is not limited to:
* * * * *
Terrorist Acts

Stewart Smith's Property Underwriting Submission



This policy insures all risks of physical loss of or damage to property....
* * * * *
And includes, but is not limited to:
* * * * *
Terrorist Acts

Willis' Statements on Terrorism and the Peril of Vandalism and Malicious Mischief

WILLIS' POSITION

BEFORE September 11, 2001

WILPROP ANNOTATIONS:

1999
to
2001

“...[I]n North America **damage or destruction committed by terrorists** are considered deliberate acts of malicious destruction which **is a part of the textbook definition of vandalism and malicious mischief.**”

WILLIS' POSITION

AFTER September 11, 2001

SEPTEMBER 12, 2001
3:28 PM CDT

SEP
12
2001

“**Terrorism...usually falls under the definition of vandalism and malicious mischief....**”

The Destruction of the World Trade Center Resulted From a Coordinated Attack Carried Out by Terrorists

IRI's Occurrence Definition

Reference to loss arising out of one Occurrence shall mean the **sum total of all loss or damage** insured against arising out of or caused by **one event**

Terrorist Attack

Page 11 of 15
IRI 96692

1 Occurrence

Terrorist Attack

8:14 am to 8:46 am

– Flight 11 and Flight 175 are hijacked by terrorists.

8:46 am

– Terrorists crash Flight 11 into the World Trade Center.

9:03 am

– Terrorists crash Flight 175 into the World Trade Center.

9:59 am

– South Tower of the World Trade Center collapses.

10:28 am

– North Tower of the World Trade Center collapses.

**Destruction of the World Trade Center
EQUALS Sum Total of All Loss or Damage**

The Destruction of the World Trade Center Resulted From a Coordinated Attack Carried Out by Terrorists

1 Occurrence

Robert Strachan

Risk Manager – Silverstein Properties



Q: Did you consider **terrorism** to be the **insured peril** involved in this case?

A: Yes.

Robert Strachan Dep. Tr. at 647: 17–22 (March 19, 2002)

Terrorist Attack

- 8:14 am to 8:46 am – Flight 11 and Flight 175 are hijacked by terrorists.
- 8:46 am – Terrorists crash Flight 11 into the World Trade Center.
- 9:03 am – Terrorists crash Flight 175 into the World Trade Center.
- 9:59 am – South Tower of the World Trade Center collapses.
- 10:28 am – North Tower of the World Trade Center collapses.

**Destruction of the World Trade Center
EQUALS Sum Total of All Loss or Damage**

The Destruction of the World Trade Center Resulted from a Coordinated Attack Carried Out by Terrorists



Robert Strachan

Risk Manager
Silverstein Properties

Q: Did you consider terrorism to be the insured peril involved in this case?

A: Yes.

Robert Strachan Dep. Tr. at 647: 17–22 (March 19, 2002)

TERRORIST ATTACK



8:14 AM – *Flight 11 and Flight 175 are hijacked by terrorists.*



8:46 AM *Terrorists crash Flight 11 into the World Trade Center.*



9:03 AM *Terrorists crash Flight 175 into the World Trade Center.*



9:59 AM *South Tower of the World Trade Center collapses.*



10:28 AM *North Tower of the World Trade Center collapses.*



***Destruction of the World Trade Center
EQUALS ONE OCCURRENCE***

Identical Definition for WTC 7/120 Wall Street and World Trade Center

WTC 7/120 WALL STREET

Form C-AR-000

- L. **Underlying Insurance** - Permission is granted the Insured to purchase insurance on all or any part of the deductible of this policy, and the existence of such underlying insurance shall not prejudice any recovery otherwise payable under this policy. If the limits of such underlying insurance exceed the deductible which would apply under this policy, then the insurance provided by this policy shall apply only as excess after that portion which exceeds such deductible has been exhausted.
- M. **Liberalization** - If during the period that insurance is in force under this policy, or within forty-five (45) days prior to the inception date thereof, on behalf of the Companies there be filed with and approved or accepted by the insurance supervisory authority, in conformity with law, any changes in the forms or endorsements attached to this policy, or the rules or regulations applying thereto, by which this insurance could be extended or broadened, without increased premium charge, by endorsement or substitution of form, then such extended or broadened insurance shall issue to the benefit of the Insured as though such endorsement or substitution of form has been made.

"Occurrence": Reference to loss arising out of one Occurrence shall mean the sum total of all loss or damage insured against arising out of or caused by one event.

Process or Finished Stock.

- E. "Normal": The condition that would have existed had no loss occurred.

- F. "Month": Thirty (30) consecutive days.

- G. "Occurrence": Reference to loss arising out of one Occurrence shall mean the sum total of all loss or damage insured against arising out of or caused by one event.

WORLD TRADE CENTER

- C. "Finished Stock": Stock manufactured by the Insured which in the ordinary course of the Insured's business is ready for packing, shipment or sale.
- D. "Merchandise": Goods kept for sale by the Insured which are not Raw Stock, Stock in Process or Finished Stock.
- E. "Normal": The condition that would have existed had no loss occurred.
- F. "Month": Thirty (30) consecutive days.
- G. "Occurrence": Reference to loss arising out of one Occurrence shall mean the sum total of all loss or damage insured against arising out of or caused by one event.
- H. "Insured's Liability":
1. Liability imposed by law upon the Insured; or
 2. Liability assumed by the Insured by specific agreement prior to the occurrence of the loss.

The Distance Between WTC 7 and 120 Wall Street Was Approximately 3,330 Feet

WTC 7

120 Wall Street

APPROXIMATELY 3,330 FEET

The Distance Between WTC 7 and 120 Wall Street Was Approximately 3,330 Feet
The Distance Between the Towers of the World Trade Center Was 125 Feet



Silverstein's Position Under the Standard IRI Property Insurance Form

	WTC 7/ 120 WALL STREET	WORLD TRADE CENTER
Insured under IRI standard property insurance form?	YES	YES
Identical definition of occurrence?	YES	YES
Damaged in the September 11th terrorist attack?	YES	YES
SILVERSTEIN SAYS:	"ONE OCCURRENCE"	"TWO OCCURRENCES"

In Summary

- ***ONE Insurance Program***
- ***ONE Meaning of Occurrence***
- ***ONE Premium Rate***
- ***ONE Terrorist Attack***
- ***ONE OCCURRENCE***