

Assured Comment: Time to Reevaluate Exposure to Catholic Dioceses

Travelers takes an approx. \$45 million charge (or more) for the NY Child Victims Act

In the lead note in our January, 2019 *Assured Briefing* (Time to Reevaluate Exposure to Catholic Dioceses) we wrote:

*Legal activity and societal attitudes have changed particularly in the last several months, following the report about priests from the Pennsylvania grand jury, which documented over 1,000 abusive actions by 300 clergy members. Since then, 14 additional states plus the District of Columbia have begun investigations and the U.S. Department of Justice has also started an investigation into numerous Pennsylvania dioceses. Part of this renewed aggressiveness could lead to modifications and expansions of various statute of limitations laws. We expect that these legal and societal developments will lead to more individual and group civil settlements, new compensation funds, and even some diocesan bankruptcies. Based on that observation, **we believe P/C insurers should reevaluate their exposures to church institutions, particularly since the scope of the problems are broad and the incidences go back many years.***

Following on that note, in our February *Assured Briefing* we wrote:

*With all the sex abuse developments of late: Catholic Church, USA Gymnastics, Boy Scouts; we believe the trend of states revising their statute of limitations laws will continue. This view is particularly reinforced by the recent passage of changes in New York State including a “look back window” after the bill had languished in the legislature for 15 years. **Revising the laws regarding “look-back windows” would be particularly bad news for the insurance industry, as claims thought to be past their potential filing date could re-emerge.***

Travelers Takes a Charge – Others to Follow?

In its just-released 1Q19 earnings, Travelers described adverse reserve development of approximately \$45 million (or more) specifically pertaining to the New York Child Victim’s Act which was signed into law in February. The company acknowledged that other charges could follow as states, like New Jersey, have passed similar legislation.

In our recent work we identified states with large Catholic populations and shared that we were able to find language in past SEC filings of both Hartford and CNA pertaining to ‘risks and uncertainties’ surrounding claims from abuse (though we do not suggest these are the only companies at risk of being negatively impacted).

An Emerging Actuarial Issue

More than half of the identified assets in the bankruptcy filings of dioceses across the nation come from P/C insurance. With many more states considering similar expansion of their statute of limitations as well as look-back windows; this is an emerging actuarial issue.