

Insurance and Reinsurance Litigation

RECENT REPRESENTATIONS

- ***Mountain West Series of Lockton Cos. LLC and Lockton Partners LLC v. Alliant Insurance Services Inc., Case No. 2019-0226*** (Del. Ch. 2019): Quinn Emanuel recently obtained a broad preliminary injunction in Delaware Chancery Court for its clients, independent insurance brokers **Mountain West Series of Lockton Companies, LLC** and **Lockton Partners, LLC**, against competitor Alliant Insurance Services, Inc., in a case alleging tortious interference with contract and business expectancy, misappropriation of trade secret, confidential, and proprietary information, and aiding and abetting breaches of fiduciary duty. In a sweeping opinion and order, the Court enjoined Alliant and its affiliated entities from directly or indirectly soliciting or servicing its recruits' former clients and prospects, including those who had already switched brokers, and directly or indirectly soliciting any Lockton employee, member, or consultant.
- ***American Claims Management, Inc. v. Allied World Assurance Co., Case No.: 18-CV-925-JLS (MDD)*** (March 28, 2019): Obtained dismissal of all claims for defendant **Allied World Assurance Co.** in a suit brought under a Professional Liability Insurance Policy by American Claims Management in the United States District Court for the Southern District of California. The court found that under California law, American Claims Management failed to state a claim for indemnity and bad faith against Allied World arising from American Claims Management's alleged faulty handling of a claim that resulted in a significant jury award against American Claims Management's principal.
- ***Onyx Pharmaceuticals, Inc. v. Allied World Assurance Co, et al.; Case No. CIV538248*** (Superior Court of the State of California, County of San Mateo): Represented D&O insurer, **Allied World Assurance Co.**, in a bench trial in State Court in California addressing a question of first impression and of critical importance to the D&O industry; namely, the definition of Loss and whether it covers indemnified settlements paid to resolve a shareholder dispute over the price per share paid for Amgen's purchase of Onyx Pharmaceuticals. A final decision from the trial court is expected imminently.
- Represented an insurer that issued a representations and warranties policy to a company that purchased a truck parts supplier. The policyholder commenced a confidential arbitrations seeking indemnity under the policy arising from alleged breaches of warranty and for bad faith stemming from the insurer's decision that the claim was excessive. The matter was resolved amicably.
- ***Stemco Products, Inc. v. Allied World Surplus Lines Insurance Co.*** (Arbitration 2018): We successfully represented **Allied World Surplus Lines Insurance Co.** ("Allied World") in an arbitration commenced by Stemco Products, Inc. in March 2018. After

answering Stemco's arbitration demand alleging a breach of a representations and warranties policy, Allied World asserted a counterclaim for attorneys' fees under the Texas Insurance Code. By August 2018, QE prevailed in achieving a favorable global settlement of the entire dispute.

- ***Anderson v. National Union Fire Insurance Company of Pittsburgh PA*, 67 N.E.3d 1232** (Mass. 2017): We successfully petitioned for review of, and then succeeded in reversing, a Massachusetts intermediate appellate court's decision against AIG that a "judgment" for purposes of a treble-damages statute includes not only the amount of a judgment but also post-judgment interest that has accrued on that judgment. Because Massachusetts imposes a statutory 12% annual interest rate, that decision had increased the judgment against AIG by more than \$4.2 million. The Supreme Judicial Court of Massachusetts ruled unanimously in AIG's favor, adopting QE's interpretation of the statute and thus eliminating over a third of the judgment against AIG.
- ***Sinclair Wyoming Refining Co. v. Infrassure Ltd.*** (District of Wyoming 2017): We were retained by Swiss reinsurer **Infrassure, Ltd. ("Infrassure")** to defend it against bad faith and business interruption claims brought by Sinclair Wyoming Refining Company ("Sinclair") related to a fire at one of its refineries. Infrassure is one of eighteen insurers that participated in Sinclair's quota share property insurance program. Sinclair alleges that it suffered in excess of \$100m in damages, and that Infrassure's failure to timely pay its share constituted breach of contract, anticipatory repudiation, and bad faith. Because Infrassure's policy required it to pay the loss based upon the estimated timeline for repair of the refinery, it has refused to pay the portion of Sinclair's claim that exceeded the timeline. In a series of motions, QE successfully obtained dismissal of all of Sinclair's claims, including dismissal of its bad faith claims on summary judgment.
- ***United States ex rel. Grabcheski v. AIG*** (Second Circuit 2017): We obtained a unanimous victory in the Second Circuit, where we defended a dismissal that we previously obtained for **AIG** in a major False Claims Act case that alleged AIG defrauded the Federal Reserve Bank of New York by hundreds of millions of dollars during the financial crisis. The case, brought by a former AIG human resources executive-turned-whistleblower, alleged that two insurance subsidiaries that AIG sold to the Federal Reserve in exchange for \$25 billion in debt reduction had, for decades, engaged in unlicensed insurance business in New York. The plaintiff alleged that AIG was complicit in the illegal insurance activity, concealed it from regulators, and deliberately misled the Fed during the negotiations in order to consummate the transaction. This case posed a potential \$2.5 billion liability for AIG under the False Claims Act's treble damages provision.
- ***Infrassure Ltd. v. First Mutual Transportation Assur. Co.*** (Second Circuit 2016): We were retained by Swiss reinsurer, **Infrassure, Ltd. ("Infrassure")** to arbitrate against First Mutual Transportation Assurance Company ("FMTAC"), the captive insurer of the Metropolitan Transportation Authority, concerning damages allegedly incurred during Superstorm Sandy. QE prevailed in a declaratory judgment action in the Southern District of New York resisting FMTAC's attempt to compel arbitration under the London Arbitration Clauses. The Second Circuit, in a case of first impression, held that Infrassure was not bound by the London Arbitration Clauses contained in an endorsement to the policy, as those clauses were captioned "UK and Bermuda Insurers Only". In reaching its

decision, the Second Circuit rejected FMTAC's argument that "UK and Bermuda Insurers Only" should be disregarded under the "Titles Clause" of the Reinsurance Certificate, which provided that the titles of the certificate's provisions have no meaning.

- ***CIFG Assurance North America, Inc. v. J.P. Morgan Securities LLC (f/k/a "Bear, Stearns & Co., Inc.")*** (New York Appellate Division, First Department 2015): On behalf of client **CIFG**, now known as Assured Guaranty, Quinn Emanuel convinced a New York state appellate court to modify the lower court's dismissal of a misrepresentation claim with prejudice to a dismissal without prejudice, thus allowing CIFG to replead the claim in its effort to recover from Bear Stearns for inducing CIFG to issue financial guaranty insurance regarding collateralized debt obligation vehicles that Bear Stearns had loaded with risky assets.
- ***Financial Guaranty Insurance Company v. Putnam Advisory Company, LLC, 783 F.3d 395*** (Second Circuit 2015): We represented **Financial Guaranty Insurance Company** in a case relating to a \$900m insurance policy on a credit default swap referencing a \$1.5bn collateralized debt obligation. We obtained a complete reversal from the Second Circuit of the district court's order dismissing the complaint for failure to state a claim, protecting our client's right to pursue its claims for fraud, negligent misrepresentation, and negligence.
- ***Consumer Financial Protection Bureau v. United Guaranty Corporation*** (Eleventh Circuit 2015): On behalf of mortgage insurer **United Guaranty**, we defeated a third party's motion to intervene in a district court case in which United Guaranty was a party that risked disrupting the prior resolution of the district court case. We then defeated the third-party's appeal to the Eleventh Circuit Court of Appeals.
- ***American International Group Inc. v. New York State Department of Financial Services*** (Southern District of New York 2014): We negotiated a favorable settlement for our client **American International Group** ("AIG") in its lawsuit against the Superintendent of the New York Department of Financial Services ("DFS") in response to DFS's assertion that certain AIG subsidiaries had engaged in illegal and undisclosed insurance activities in New York. QE asserted that DFS's stated interpretation and enforcement of the insurance laws was unconstitutional. Following motion to dismiss briefing, QE obtained a favorable settlement for AIG, which was much less than the amount paid by MetLife for related allegations that spanned a much shorter time period.
- ***Riddle v. Bank of America Corp. et al.*** (Third Circuit 2014): We represented **United Guaranty** in ten class actions alleging that the reinsurance it purchased on its mortgage insurance portfolio from captive reinsurers affiliated with lending banks was an illegal "kickback" in violation of the Real Estate Settlement Practices Act (RESPA). After obtaining dismissals of several of the class actions on statute of limitations grounds, the Eastern District of Pennsylvania granted summary judgment dismissing the claims against United Guaranty in *Riddle v. Bank of America*. Plaintiffs appealed and the Third Circuit affirmed concluding that that the plaintiffs failed to meet their "diligence" obligations because they did nothing to attempt to discover their claims at any time between their loan closings and the time, years later, when they were contacted by their lawyers.

- ***AIG Domestic Claims, Inc. v. Hess Oil Co., 751 S.E.2d 31*** (W. Va. 2013): We won a unanimous victory for AIG in the West Virginia Supreme Court, vacating all that was left of a \$58 million jury verdict against subsidiaries of AIG involved in an environmental insurance coverage dispute. QE first challenged the underlying punitive damages and successfully reduced that verdict by \$28 million on post-trial motions. QE then litigated the remaining \$30 million before the West Virginia Supreme Court which rejected the plaintiffs' argument that they were entitled to damages against a corporation for alleged injuries to its shareholders, and zeroed out the judgment.
- ***United States Fidelity & Guaranty Company v. American Re-Insurance Company et al.*** (New York Court of Appeals 2013): In a case where reinsurers challenged the allocation of a \$1 billion settlement of asbestos related liabilities, we obtained a 5-0 victory in the New York Court of Appeals in a landmark decision on the "follow the fortunes" doctrine. Because most reinsurance agreements are governed by New York law, this decision is widely followed and will have a widespread impact on the insurance industry.
- ***Ford Motor Co. v. National Indemnity Co.*** (Eastern District of Virginia 2013): We defended Berkshire Hathaway affiliate, **National Indemnity Co.**, in a challenge to its business model of purchasing and running off policies on behalf of policy-issuing companies. Ford filed this action in federal court claiming that National Indemnity had violated Virginia's Conspiracy statute and engaged in tortious interference with contract by causing its insurer to refuse to pay allegedly valid claims. The conspiracy statute carries severe penalties, including trebling of damages. We obtained summary judgment dismissing the conspiracy claims, thereby eliminating Ford's claim for treble damages.
- ***Various United Guaranty Reinsurance Litigation Matters***: We were lead counsel for **United Guaranty**, which was named as a defendant in over ten class actions brought under Real Estate Settlement Procedures Act of 1974 (RESPA). The class plaintiffs all alleged violations of RESPA's anti-kick-back provisions arising from United Guaranty's practice of obtaining reinsurance for its mortgage insurance policies from captive insurers affiliated with lending banks. We obtained dismissals in nine of the class actions on various grounds including that the actions were time barred and that the class plaintiff lacked standing to bring the claims. *See, e.g.,* White v. PNC Bank et al (E.D. Pa.); Menichino v. Citibank, et al (W.D. Pa.); Manners v. Fifth Third Bank et al (W.D. Pa.); Cunningham v. M&T Bank (M.D. Pa); McCarn v. HSBC, et al (E.D. Ca.). Plaintiff has appealed Samp v. J.P. Morgan, et al (C.D. Cal.) and Orange v. Wachovia Bank (C.D. Cal.) to the Ninth Circuit.
- ***In re: Chinese-Manufactured Drywall Products Liability Litigation*** (MDL)(Eastern District of Louisiana.): We represented **AIG** and its subsidiaries in numerous class action and individual lawsuits related to defective Chinese-manufactured drywall products, much of which was consolidated in a multi-district litigation in the Eastern District of Louisiana.
- ***Royal Park Investments, SA/NV v. CIFG Assurance North America, Inc.*** (New York Supreme Court): We represented **CIFG Assurance North America, Inc.** ("CIFG") in an action in which CIFG was alleged to have breached two agreements with Royal Park Investments, SA/NV ("RPI") – a special purpose vehicle formed to hold Fortis Bank

assets – arising from a mortgage backed securities bond issuance that RPI purchased and CFIG insured. RPI sought to recover its purported share of liquidation proceeds that CFIG obtained upon liquidation of the collateral on the grounds that in agreeing to forego RPI's right to CFIG's insurance on the bonds, RPI was entitled to its share of the liquidated proceeds. Following extensive summary judgment briefing and argument, we obtained a complete dismissal, with prejudice, of RPI's claim.

- ***MBIA v. Countrywide et al.*** (New York Superior Court): We secured another victory for our client, **MBIA Insurance Corporation**. In Justice Bransten's decision on the parties' summary judgment motions, she adopted virtually the entire legal framework advocated by Quinn Emanuel. The ruling impacts other insurers and investors in RMBS who have sued issuers of RMBS for fraud and breach of contract. First, insurers in New York now have a clear path to recovery on misrepresentation claims, where they need not show either reasonable reliance or loss causation (beyond inducement to enter the transaction, or transaction causation). Second, insurers and investors in RMBS now can enforce repurchase claims for material breach regardless of whether or why the defective loans are in default or delinquency. In other words, the contractual requirement of "material and adverse effect" is tested as of the closing date only, rendering the housing collapse and financial crisis irrelevant. Third, insurers and investors can rely on the "no default" provisions in mortgage notes to capture borrower misrepresentations even where the transaction documents do not contain a representation and warranty prohibiting borrower fraud.
- ***MBIA v. Countrywide et al.*** (New York Superior Court): We secured a significant ruling for our client, **MBIA Insurance Corporation**, in connection with its multibillion dollar claims against Bank of America Corporation and Countrywide, filed in the Commercial Division of the New York State Supreme Court. The Court held that: (i) New York, not Delaware, law applied to a *de facto* merger claim against Bank of America; (ii) reliance is not an element of a successor liability claim based on a theory of implied assumption of liabilities; (iii) the payment of billions of dollars for Countrywide's assets is not relevant to a *de facto* merger claim; and (iv) a strict asset-for-stock sale is not necessary to establish continuity of ownership under a *de facto* merger claim. Numerous plaintiffs across the country have alleged that Bank of America should be held liable for Countrywide's misconduct, and this ruling establishes the correct legal standards to prove such claims at trial.
- ***Assured Guaranty Municipal Corp. v. UBS Real Estate Securities Inc.*** (Southern District of New York): We represented **Assured Guaranty Municipal Corp.** ("Assured") in its lawsuit in the Southern District of New York against UBS Real Estate Securities Inc. ("UBS") arising out of Assured's issuance of financial guaranty insurance for RMBS underwritten and marketed by UBS. On May 6, 2013, after a series of procedural wins for Assured, UBS agreed to settle Assured's claims for breaches of representations and warranties for \$360 million plus an ongoing reinsurance obligation covering 85% of Assured's forward liabilities with respect to the insured certificates.
- ***Axa Vericherung AG v. New Hampshire Insurance Co.*** (Second Circuit): We obtained a complete victory for our client, **American International Group**, when we convinced the Second Circuit to vacate a nearly \$35 million judgment in a complex

reinsurance case against several AIG subsidiaries and to remand the case to the district court for entry of judgment in AIG's favor.

- ***Horowitz v. American International Group, Inc.*** (Southern District of New York): We obtained dismissal with prejudice and affirmation in the Second Circuit of that dismissal of a nationwide class action against **Chartis Insurance Group** brought by investors in Bernard Madoff's Ponzi scheme who demanded that their insurers compensate them for loss of fictitious profits.
- ***Nevada Viatical Sales*** (Nev.): We defended **AI Credit**, a subsidiary of AIG, against fraud and contract claims in Nevada State Court arising out of its funding of life insurance viatical sales. The case settled favorably before trial.
- ***National Council on Compensation Insurance, Inc. v. American International Group, Inc.*** (Eastern District of Illinois): We obtained dismissal with prejudice of a \$1 billion civil fraud and RICO action brought against **AIG** by a nationwide reinsurance pool, in a case that involves allegations of premium underreporting that had precipitated a \$350 million settlement with former New York Attorney General Elliot Spitzer.
- ***Park Terrace LLC v. Transportation Insurance Co.*** (Supreme Court of Wisconsin): We were retained after trial and on appeal obtained a reversal of an \$8 million award of bad faith and punitive damages, which was the largest award of such damages against an insurer in Wisconsin history.
- ***In re: Arbitration Between Houston Casualty Co. and CineFinance Insurance Services***: After a ten-day arbitration, we obtained a complete victory, including an award of \$3.9 million attorney's fees and costs for **Houston Casualty Company** and **CineFinance Insurance Services** (HCC) in a dispute concerning the financing of a motion picture entitled "Tekken." HCC guaranteed the financiers of "Tekken" that the film would be completed and delivered by November 29, 2009, but the film was not delivered until December 2010, over a year later with no written extension or waiver of the delivery date. One of the financiers initiated an arbitration against HCC claiming \$15.8 million under the completion guaranty. Although Newbridge never agreed to extend the delivery date, the Arbitrator found that Newbridge knew that the film could not be completed and delivered by November 29th and waived the delivery date. He denied Newbridge any relief and awarded HCC its attorney's fees and costs.
- ***Fireman's Fund Insurance Co. v. North Pacific Insurance Co.*** (Ninth Circuit): We were retained after trial and persuaded the Ninth Circuit to vacate a multi-million dollar judgment against our insurer client, finding on a case of first impression that the trial court had failed to consider whether an insurer targeted by an all sums election who seeks contribution must provide adequate notice to co-insurers.
- ***Assured Guaranty Municipal Corp. v. JP Morgan Chase and Syncora Guaranty Inc. v. Jefferson County*** (New York Supreme Court): **Assured Guaranty** and **Syncora** retained us to recoup over \$700 million in rescissionary damages from J.P. Morgan and

Jefferson County, Alabama on claims of fraud and aiding and abetting fraud in connection with solicitation of bond insurance policies. These cases have been resolved.