

Alleghany Corporation

Alleghany Corporation (NYSE: Y)
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Employees : 1,584
(as of December 31, 2001)
Revenue : \$576,900,000
Net Income : \$54,800,000
Assets : \$2,134,400,000
Liabilities : \$755,000,000
(As of December 31, 2002)

Description: Alleghany Corporation is an unregenerate diversified conglomerate with interests ranging from nuts and bolts to financial services. Its insurance arm consists of Capitol Transamerica, which provides property & casualty, fidelity, and surety insurance. Its other units are Heads and Threads (imports and distributes steel fasteners) and World Minerals (the #1 producer of diatomite, used in industrial filtration systems). Alleghany also has commercial and residential real estate interests in California.

Asbestos Discussion from SEC filings:

From the Company's Form 10-K for the period ending December 31, 2002 at
<http://www.sec.gov/Archives/edgar/data/775368/000095012303003040/y84497e10vk.txt>
Filed On: March 20, 2003

Asbestos, Environmental Impairment and Mold Claims Reserves

AIHL's reserve for losses and loss expenses includes amounts for various liability coverages related to asbestos and environmental impairment claims that arose from reinsurance of certain general liability and commercial multiple-peril coverages assumed by Capitol Indemnity in the 1970s. Capitol Indemnity exited this business in 1976. Reserves for asbestos and environmental impairment claims cannot be estimated with traditional loss reserving techniques because of uncertainties that are greater than those associated with other types of claims. Factors contributing to those uncertainties include a lack of historical data, the

significant period of time that has elapsed between the occurrence of the loss and the reporting of that loss to the primary insurer and the reinsurer, uncertainty as to the number and identity of insureds with potential exposure to such risks, unresolved legal issues regarding policy coverage, and the extent and timing of any such contractual liability. Such uncertainties are not likely to be resolved in the near future.

For the year ended December 31, 2002, net loss payments for asbestos and environmental impairment exposures were \$751,209. As of December 31, 2002, AIHL's case and IBNR reserves totaled approximately \$2.9 million for asbestos liabilities and approximately \$4.4 million for environmental impairment claims.

AIHL has experienced limited mold claims to date and has had an exclusion for mold claims in its policies since 2002. As of December 31, 2002, reserves for mold exposure were less than \$250,000.

The reserves for unpaid losses and LAE related to asbestos and environmental impairment claims reported in the annual statements filed with state insurance departments prepared in accordance with statutory accounting practices ("SAP") and those reported in AIHL's consolidated financial statements prepared in accordance with GAAP for the year ended December 31, 2002 were identical.

The reconciliation of the beginning and ending reserves for unpaid losses and LAE related to asbestos and environmental impairment claims, excluding any such reserves which are a part of Platte River reserves guaranteed by the seller of Platte River to Alleghany, for the year ended December 31, 2002 is shown below (in thousands):

Reconciliation of Asbestos-Related Claims Reserves for Losses and LAE

| | |
|----------------------------|-------------|
| | 2002 |
| Reserves as of January 1 | \$ 0 |
| Reserves acquired..... | 3,244 |
| Paid loss..... | (300) |
| Reserves as of December 31 | |
| Type of reserves | |
| Case..... | \$1,243 |
| IBNR..... | 1,701 |
| Total..... | \$2,944 |

Reconciliation of Environmental Impairment Claims Reserves for Losses and LAE

| | |
|---------------------------------|-------------|
| | 2000 |
| Reserves at January 1 | \$ 0 |
| Reserves acquired | 4,867 |
| Paid loss..... | (451) |
| Reserves as of December 31..... | \$ 4,416 |
| Type of reserves | |
| Case..... | \$ 1,865 |
| IBNR..... | 2,551 |
| Total..... | \$ 4,416 |

Asbestos-Related News:

[Alleghany Has \\$2.9M in Asbestos Liabilities Reserves \(Published March 28, 2003\)](#)