PLAINTIFF'S EXHIBIT 240

EXHIBIT Douglas 39 for ID 12/5/07 DM

National Union Fire Insurance Company of Pittsburgh, Pa.
EXECUTIVE OFFICES
70 Pine Street, New York, N.Y. 10270
212/770-7000

A Member Company of American International Group

Direct Dial: 212/770- _____

February 24, 2004

Commissioner of Insurance
Pennsylvania Insurance Department
Strawberry Square – 13th Floor
Harrisburg, PA 17120

Re: Statement of Actuarial Opinion
National Union Fire Insurance Company of Pittsburgh, Pennsylvania

IDENTIFICATION

I, Frank H. Douglas, Senior Vice President and Actuary, am an officer of the National Union Fire Insurance Company of Pittsburgh, Pennsylvania ("the Company"), and a Member of the American Academy of Actuaries and meet its qualification standards. I am an Associate of the Casualty Actuarial Society. I was appointed by the Board of Directors on November 11, 2003 to render this opinion.

SCOPE

I have examined the assumptions and methods used in determining the amounts listed below, as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials as of December 31, 2003.

(A) Reserve for unpaid losses (Page 3, Line 1): $5,750,700,049

(B) Reserve for unpaid loss adjustment expenses (Page 3, Line 3): $936,033,686

(C) Reserve for unpaid losses - Direct and Assumed (Schedule P, Part 1, Totals from Columns 13 and 15): $12,737,283,000

(D) Reserve for unpaid loss adjustment expenses - Direct and Assumed (Schedule P, Part 1, Totals from Columns 17, 19, 21): $1,874,053,000

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(E) The total claims made extended loss and expense reserve (Schedule P Interrogatories), whether reported in the loss reserves or the unearned premium reserves: $1,703,540

(F) The Page 3 write-in item reserve, "Retroactive reinsurance reserve assumed": $205,770,000

(G) Reserve for net unearned premium for long duration contracts (subset of Page 3, Line 9):$263,212,306

(H) Reserve for ceded unearned premium for long duration contracts (subset of Page 3, Line 9): $438,514,634

(I) Reserve for direct unearned premium for long duration contracts (subset of Countrywide Page 26, Line 34, Column 5): $26,880,802

The amounts shown above in items A through E reflect the following:

(A) Anticipated net salvage and subrogation included as a reduction to loss reserves as reported in Schedule P, and on the Liabilities, Surplus and Other Funds Page, Losses and Loss Adjustment expenses line; $156,713,000

(B) Discount for time value of money included as a reduction to loss reserves and loss expense reserves as reported in Schedule P, and on the Liabilities, Surplus and Other Funds Page, Losses and Loss Adjustment expenses line; nontabular discount $144,625,597 and tabular discount $129,058,383

(C) The net reserves for losses and expenses for the Company's share of voluntary and involuntary underwriting pools' and associations' unpaid losses and expenses that are included in reserves shown on the Liabilities, Surplus and Other Funds Page, Losses and Loss Adjustment expenses lines: $128,634,705

(D) The net reserves for losses and loss adjustment expenses that the Company carries for Asbestos liabilities $108,999,089 and Environmental liabilities $85,323,404 that are included in the reserves on the Liabilities, Surplus and Other Funds Page, Losses and Loss Adjustment expenses lines, and disclosed in the Notes to Financial Statements.

(E) In the total reserves for losses and loss adjustment expenses, the Company reported extended loss and expense reserve of $1,703,540, that are reported in the Schedule P interrogatories.

The scope of my review also reflected the following:

Discounting: The Company's carried reserves are not discounted other than a \$129,058,383 amount of tabular and \$144,625,597 amount of nontabular discount in the case reserve for Workers Compensation, which I reflected.

Salvage and Subrogation: The Company's carried reserves include anticipated salvage and subrogation in the amount of \$156,713,000 which I reflected.

Underwriting Pools and Associations: The Company's carried net reserves include approximately \$128,634,705 assumed from external Pools and Associations. The Company (or its affiliates) monitors the reserves and loss ratios reported by these pools and associations and participates in the National Pool Reserving Committee which reviews and comments on the reserves of the largest Workers' Compensation Pools. In my opinion, the reserves reported by these pools and associations are reasonable and should not represent a material risk to the Company's overall loss reserves or surplus. The Company's practice is to record 100% of the reserves for these pools and associations without an accrual for any reporting lag.

Financial and Retroactive Reinsurance: Based on discussions with the Company's management, I believe the Company has properly accounted for those agreements which are retroactive reinsurance. Based on my review of these retroactive agreements, I do not believe these retroactive agreements will have a material impact on the Company's surplus position.

Reinsurance Collectibility: My review of the Company's net reserves presumed all reinsurance existing as of December 31, 2003 will be collected. The Company's net business reflects a significant amount of reinsurance. I have reviewed the Company's actual collectibility problems based on information furnished by the Company as of December 31, 2003. I have also reviewed the ratings given to the Company's principal reinsurers by A.M. Best. I have also reviewed the Company's Schedule F for 2003 for indications of regulatory action or reinsurance recoverable on paid losses over 90 days past due. For the Company's unauthorized reinsurers, including certain alien reinsurers or captive reinsurers, I reviewed the Company's policy of obtaining adequate security, such as irrevocable letters of credit, escrow funds, and/or funds held by the Company, greater than or equal to the amount of reinsurance recoverable from the reinsurer. Based on these reviews, as well as other information I am aware of or have received from the Company's management, I am not aware of any reinsurance collectibility problems which would materially impact the Company's solvency. The scope of my review of reinsurance collectibility did not include an attempt to review the financial condition of, or the adequacy of reserves ceded to or carried by, each of the Company's reinsurers. The scope of my review of reinsurance collectibility was confined to actual collectibility problems as of December 31, 2003. I did not attempt to project potential future reinsurance collectibility problems.

Events of September 11, 2001: I have reviewed the Company's exposure to claims arising from the events of September 11, 2001. The Company has provided coverage for which a material amount of claims may be reported. I have reviewed the Company's reported claims, exposure and reinsurance program and collectibility with its senior Claims and Reinsurance officers. In my opinion the Company has established appropriate reserves for its exposure to claims from these events. Barring unforeseeable claim developments, I do not believe the Company's surplus position should be materially impacted by either reinsurance collectibility or adverse loss development for these claims.

Asbestos and Environmental Liability: The Company's carried reserves include reserves for asbestos and environmental liability ("A&E") amounting to $511.4 Million and $194.3 Million on a gross and net basis, respectively. The Company has special claims units which investigate and adjust all A&E claims. These units establish a reserve for each A&E case based on the known facts and current law. Additionally, the Company carries bulk reserves for incurred but not reported A&E claims and for A&E loss adjustment expenses. The Company's paid and incurred losses and loss adjustment expenses for A&E claims for calendar years 1999 through 2003 are disclosed in Note 33 of its 2003 Annual Statement. Based on my review of the Company's A&E exposures, its claim handling practices, and its claim experience to date, it is my opinion that the Company has responsibly addressed this issue and furthermore that its policyholders' surplus is well protected against any reasonably foreseeable scenario pertaining to these exposures, for the following reasons:

1. The Company's centralized claim unit has been proactively pursuing early settlement of asbestos and environmental claims for many years. The Company's claim staff performs continuous ground up case reserve analysis for all cases.
2. Despite its continually proactive claim handling, the Company's net A&E paid losses and loss adjustment expenses during 2003, or the average amounts paid during the past three or five years, reflect an immaterial percentage of its overall loss reserves or its policyholders' surplus as of December 31, 2003. This can be seen by comparing the Note 33 figures to the loss reserves and policyholders' surplus as shown on its Annual Statement Page 3. Note also the Company's gross asbestos paid losses have been declining significantly for the past three years.
3. The Company does not discount its A&E reserves. These reserves pay out over many years.
4. The Company's market share of commercial liability insurance generating A&E exposure was very small in the years prior to 1985 (after which absolute asbestos and pollution exclusions generally were applied to liability policies) and was even smaller prior to 1970 (prior to which no pollution exclusions generally applied). It should be noted that applying the Company's appropriate market share of liability insurance to the industry estimated ultimate A&E losses as recently published by several rating agencies or consulting firms, would indicate the Company's carried reserves as of December 31, 2003 for these exposures are well within the general zone of reasonableness, even on an undiscounted basis.

5. The Company's A&E exposures prior to 1985 arise predominantly from Excess Casualty policies rather than primary liability policies. Excess policies are much less exposed to asbestos or environmental loss since a duty to defend, if any, does not arise until the underlying layers are exhausted and since all other coverage including primary and underlying Excess must be exhausted before the Company's Excess policies apply.
6. The Company's Excess policies were generally written on an ultimate net loss basis, hence litigation expenses are included within the limits of liability.
7. The Company's net exposure is much smaller than its gross exposure, as confirmed by the gross versus net amounts shown in Note 33.
8. The vast majority of newly reported asbestos claims in recent years are Tier 3 or 4 cases which are expected to incur no loss liability to the Company. This is due to the Company functioning primarily as a high excess insurer during the years these claims were incurred, and the reality that asbestos losses are invariably allocated over multiple years of coverage, thereby reducing any potential impact to the Company's excess layers.

The Company's yearend report on reserves provides further documentation on the above comments.

NAIC IRIS Tests: The Company's reserves do not create an exceptional value for IRIS Test 10. However they do create an exceptional value for IRIS Tests 11 and 12. The cause of the unusual value for Test 11 was a significant increase in loss cost trends, particularly for accident years 1997 to 1999, for the Company's long tailed, low frequency, high severity classes including Excess Casualty and Directors and Officers Liability. I have taken these adverse loss cost trends into account in my review of the Company's carried reserves as of December 31, 2003. The Company's significant growth in earned premium in 2002 and 2003, driven primarily by rate increases and not by increases in exposure, contributed to the unusual value for IRIS Test 12.

Loss Reserve Data: In forming my opinion on the loss and loss adjustment expense reserves, I relied upon data prepared by the responsible officers or employees of the Company or group to which it belongs. I evaluated that data for reasonableness and consistency. I also reconciled that data to Schedule P-Part 1 of the Company's 2003 annual statement. In other respects, my examination included such review of the actuarial assumptions and methods used and such tests of the calculations as I considered necessary.

OPINION

In my opinion, the amounts carried in the scope paragraph on account of the items identified

(A) meet the requirements of the insurance laws of the State of Pennsylvania;

(B) is computed in accordance with accepted loss reserving standards and principles;

(C) make a reasonable provision in the aggregate for all unpaid loss and loss expense obligations and all unearned premium obligations of the Company related to long duration contracts under the terms of its contracts and agreements.

RELEVANT COMMENTS

Disclosures of Items For Unearned Premium Reserves For Long Duration Contracts: Total net unearned premium for the Company as recorded on Page 3, Line 9 of the Annual Statement is $3,426,754,290. The net unearned premium for long duration contracts to which this opinion applies is $263,212,306, representing 7.7% of the total net unearned premium of the Company. The reasonableness of the unearned premium reserve for the Company's long duration contracts is not significant when combined with the Company's overall loss and loss expense reserves. There is no reduction to the Company's unearned premium reserve for long duration contracts for salvage, subrogation, deductibles, self insured retentions, or other credits which involve a credit risk, other than reinsurance. The amount of reduction for reinsurance is $438,514,634 as identified in the SCOPE section of this Statement of Opinion. There is no provision for investment income in the projected future losses and expenses under unexpired policies. In my opinion the Company's balance sheet and policyholders' surplus are not materially impacted by any of the items in the Scope section pertaining to long duration contracts.

Variability/Risk Factors: The Company's business includes a significant volume of long tailed, low frequency, high severity classes of business such as Excess Casualty and Directors and Officers Liability. Actual loss cost trends over the past decade have been extremely volatile for these classes. The factors contributing to this volatility include jury awards, "social inflation", medical inflation, tort reforms, court interpretations of coverage, etc. Significant increases in these loss cost trends have caused a material amount of adverse development over the past two years in the Company's reserves. I consider development at or near the IRIS Test 10 or 11 thresholds to be material. It must be recognized that there is inherent volatility in loss cost trends for these classes and that such volatility can be either favorable or adverse. Therefore there can be no assurance that the Company's loss reserves will not develop adversely and materially exceed the carried reserves as of December 31, 2003.

An actuarial report and underlying actuarial workpapers supporting the findings expressed in this Statement of Actuarial Opinion will be retained for a period of seven years in the administrative offices of the Company and available for regulatory examination.

Sincerely,

Frank H. Douglas
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February 24, 2004

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