National Union Fire Insurance Company of Pittsburgh, Pa.
EXECUTIVE OFFICES
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PLAINTIFF'S EXHIBIT 686

February 26, 2001

Commissioner of Insurance
Pennsylvania Insurance Department
Strawberry Square - 13th Floor
Harrisburg, Pennsylvania 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 11/14/00 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, 2000.

(A) Reserve for unpaid losses (Page 3, Line 1): $4,450,400,178.

(B) Reserve for unpaid loss adjustment expenses (Page 3, Line 2): $621,721,280.

(C) Reserve for unpaid losses - Direct and Assumed (Schedule P, Part 1, Totals from Columns 13 and 15): $9,356,443,000.

(D) Reserve for unpaid loss adjustment expenses - Direct and Assumed (Schedule P, Part 1, Totals from Columns 17, 19, 21): $1,433,754,000.

(E) The extended loss and expense reserve (Schedule P Interrogatories): $2,171,700

(F) Reserve for net unearned premium for long duration contracts (subset of Page 3, Line 9):$198,361,786.

(G) Reserve for ceded unearned premium for long duration contracts (subset of Page 3, Line 9): $362,270,659.

(H) Reserve for direct unearned premium for long duration contracts (subset of Countrywide Page 15, Line 32, Column 5): $6,371,607.

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

(A) Anticipated salvage and subrogation included as a reduction to loss reserves as reported in Schedule P - Analysis of Losses and Loss Expenses, Underwriting and Investment Exhibit - Part 3A and on Page 3 - Liabilities, Surplus and Other Funds, Line 1, $111,991,000;

(B) Discount included as a reduction to loss reserves and loss expense reserves as reported in Schedule P - Analysis of Losses and Loss Expenses, Part 3A - Underwriting and Investment Exhibit, and on Page 3 - Liabilities, Surplus and Other Funds, Lines 1 and 2, non tabular discount $122,101,272 and tabular discount $154,649,688;

(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 which are included in reserves shown on Page 3 - Liability, Surplus and Other Funds, Lines 1 and 2, $128,343,464; and

(D) The net reserves for losses and loss adjustment expenses that the Company carries for Asbestos liabilities $103,906,545, and Environmental liabilities $178,244,488, which are included in the reserves on Page 3 – Liabilities, Surplus and Other Funds, Lines 1 and 2, and disclosed in the Notes to Financial Statements.

(E) The total reserves for losses and loss adjustment expenses that the Company carries for extended loss and expense reserve is $2,171,700, that is 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 $154,649,688 amount of tabular and $122,101,272 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 $111,991,000 which I reflected.

Underwriting Pools and Associations: The Company's carried net reserves include approximately $128,343,464 assumed from external Pools and Associations. The only Pool or Association for which the Company's carried net reserves are material and for which I did not directly examine the reserves, is the National Workers Compensation Reinsurance Pool along with similar state pools administered by the National Council on Compensation Insurance. The net reserves carried by the Company for these pools amount to approximately $122,021,462, as of December 31, 2000. For these pools, I am relying on the Statements of Actuarial Opinion issued by Anthony Di Donato with respect to the reserves as of 9/30/00 stating that these reserves make a reasonable provision for all unpaid loss, medical cost containment and Occupational Disease allocated loss adjustment expense obligations for pool members. The Company (or its affiliates) monitors the reserves and loss ratios reported by these pools and participates in the National Pool Reserving Committee which reviews and comments on the reserves of these pools. In my opinion, the reserves reported by these pools 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 and my own familiarity with the Company's principal reinsurance agreements, I am not aware of any reinsurance contract having a material effect on the loss or loss expense reserves that either has been or should have been accounted for as retroactive or financial reinsurance. The Company has properly accounted for as retroactive reinsurance several agreements which have an insignificant effect on the overall loss and loss expense reserves.

Reinsurance Collectibility: My review of the Company's net reserves presumed all reinsurance existing as of 12/31/00 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, 2000. 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 2000 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, 2000. I did not attempt to project potential future reinsurance collectibility problems.

Asbestos and Environmental Liability: The Company's carried reserves include reserves for asbestos and environmental liability ("A&E") amounting to $665.2 Million and $282.2 Million on a gross and net basis, respectively. The Company has a special claims unit which investigates and adjusts all A&E claims. This unit establishes 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 1996 through 2000 are disclosed in Note 27 of its 2000 Annual Statement. It should be noted that the Company has significantly strengthened its A&E reserves over the past six years. It is my opinion that the Company's estimated liabilities for A&E are subject to a significantly greater margin of error than its other loss and loss expense liabilities. However, 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's liabilities for these claims have been reasonably estimated and are not likely to materially impact its overall loss reserves or surplus adequacy. 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 environmental claims for all known and unknown sites for many years.
2. Despite its continually proactive claim handling, the Company's net A&E paid losses and loss adjustment expenses during 2000, 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 12/3100. This can be seen by comparing the Note 27 figures to the loss reserves and policyholders' surplus as shown on its Annual Statement Page 3.
3. The Company does not discount its A&E reserves. These reserves will not pay out for 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 the absolute pollution exclusion generally was 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 12/31/00 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 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 net exposure is much smaller than its gross exposure, as confirmed by the gross versus net amounts shown in Note 27.

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

NAIC IRIS Tests: The Company's reserves do not create exceptional values for any of the three IRIS tests pertaining to loss reserves.

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 2000 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.

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 $1,958,014,346. The net unearned premium for long duration contracts to which this opinion applies is $198,361,786 representing 10.1% 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 $362,270,659 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.

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) are 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 policies and agreements.

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,

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FHD/bj