

Simpson Thacher Obtains Second Circuit Affirmance Of Dismissal Of Katrina-Related Securities Class Action Lawsuit

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In a decision issued December 21, 2009, the United States Court of Appeals for the Second Circuit affirmed the dismissal of a federal securities fraud class action against the Firm's client, PXRE Group Ltd. (now known as Argo Group International Holdings, Ltd.), and several of the Company's former officers. The case had been dismissed with prejudice by the District Court on March 4, 2009.

The case concerns Hurricanes Katrina, Rita and Wilma, which struck the United States in the summer and fall of 2005. PXRE, a Bermuda reinsurance company, held numerous policies directly affected by the property damage caused by these unprecedented storms. Plaintiffs brought fraud claims under the Securities Exchange Act of 1934, alleging that PXRE and its officers, faced with financial ruin due to the Company's mounting exposure, knowingly understated the Company's losses in the weeks immediately following the hurricanes in order to maintain its financial viability and raise additional funds. In February 2006, the Company revised its initial loss reserves related to the storms and was subsequently downgraded by the rating agencies. The Company ceased writing new policies and its stock price dropped. The Second Circuit affirmed the District Court's decision, which held that, notwithstanding allegations that PXRE faced financial collapse, the complaint failed sufficiently to allege that Defendants either knowingly or recklessly misstated the initial loss reserves.

The team representing PXRE Group Ltd. in this matter included Bruce D. Angiolillo, Jonathan K. Youngwood, Janet Gochman, John C. Briody, David F.E. Tejtel, Magallie Kortright and former associate John Anderson. Mr. Youngwood argued the appeal on behalf of all defendants earlier this month.

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