STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

IN THE MATTER OF PROPOSED AMENDMENTS TO 19.15.2, 19.15.5 19.15.8, 19.15.9, AND 19.15.25 NMAC **Case No. 24683**

TESTIMONY OF DOUGLAS R. EMERICK

ON BEHALF OF

NEW MEXICO OIL AND GAS ASSOCIATION

August 8, 2025

TESTIMONY OF DOUGLAS R. EMERICK

I. INTRODUCTION AND BACKGROUND

My name is Douglas R. Emerick. My business address is 12600 Hill Country Boulevard, Suite R-130 #236, Austin, TX 78738.

I am employed as Director of Operations for Insurance Expert Network. I am also a private consultant and owner of Emerick Consulting, based in Levittown, Pennsylvania.

I have a degree in business administration and marketing from Gannon University. My resume is included as **Appendix A** of this testimony.

In addition to my Director duties, I am an insurance and surety expert. I have the following insurance expert specialties: fidelity, surety, director and officers (D&O) insurance products, and errors and omissions (E&O) insurance.

I have extensive experience in fidelity and surety product lines and operating groups. I have developed and implemented new underwriting tools for public and private companies. I have worked as an underwriter for all sizes of fidelity and surety accounts in several states, and I am familiar with fidelity and surety underwriting more generally, as they both have common elements and common issues associated with writing and securing fidelity and surety accounts across industries and states. I am familiar with the surety markets nationwide and understand the special concerns of energy companies. Specifically, I underwrote oil and gas plugging bonds in several states.

I have been qualified as an expert witness in numerous courts, addressing matters including surety lines of credit, recission of bonds, denial of claims, surety underwriting, supersedeas bonds, and similar issues. My resume provides a summary of those cases and the issues involved.

II. PURPOSE OF TESTIMONY

The purpose of my testimony is to explain the mechanisms for securing a surety or other forms of bonding, the likely significant costs of securing such a surety bond, and the challenges that companies, particularly small and medium-sized companies, will have in securing a surety bond at a reasonable cost. I have reviewed and am familiar with the proposed changes before the New Mexico Oil Conservation Commission ("Commission" or "OCC"), regulations and, in particular, the proposed amendments to **Sections 19.15.2.7, 19.15.5.9, 19.15.8.9, 19.15.9.9, and 19.15.25 of the New Mexico Administrative Code (NMAC).**

III. TESTIMONY

A. Background on Private Financial Assurance Markets, Underwriting Timelines, and Practical Limitations

The proposed amendments being offered by the Western Environmental Law Center ("WELC"), could have significant unintended and perhaps undesirable consequences.[1] WELC's proposal would require single-well financial assurance of $150,000 for many wells (described in detail below). That would represent a sudden and dramatic increase in surety requirements; such an increase may not be available to many operators, particularly small- and medium-sized companies. Moreover, surety requirements in these amounts may be prohibitively expensive even for companies for whom a surety is available.

The simple fact is that the surety market today is very demanding and difficult to navigate. Surety companies are now requiring large collateral requirements, and those collateral requirements will exceed the ability of many companies to secure a surety bond, if one is available

[1] NMOGA reserves the right to comment on any proposals filed in this rulemaking proceeding by the New Mexico Oil Conservation Division, or OCD, or any other party or intervenor.

to them at all.

It is critical to understand that a surety bond is not like an insurance policy; it is, in effect, a promise to pay. If a bond is "called," the surety company will seek reimbursement from the principal. For a host of reasons, surety companies have become more restrictive in their underwriting guidelines to minimize the risk that a bond will be called. That is certainly true when it comes to determining the amount of collateral that the surety will demand up front. It is important to note that the surety business is written to a 0% loss ratio, unlike other property and casualty insurance lines of business.

There is no hard and fast rule, but a surety provider will look to the principal's financial statements and will insist that the principal have sufficient working capital to account for a substantial part of the total surety amount – the required amount can easily equal 25% or more of the surety amount that is being sought if the provider is going to offer a surety contract with limited or no collateral. Many companies cannot meet these working capital level requirements. Therefore, the lower an operator's working capital, the higher the collateral required to secure a surety bond. It is entirely conceivable that surety companies will require collateral of 50-100% of the bond amount.

In addition to requiring such substantial amounts of capital to issue new bonds, it is also entirely conceivable that surety providers will require operators to demonstrate working capital levels to maintain existing bonds as a result of the new compliance costs and risk of default that wells with existing surety coverage will be exposed to under WELC's proposed regulations. As explained elsewhere, surety companies are in the business of minimizing risk, and determining the collateral amount is integral to minimizing risk.

How would this work in practice? Simple arithmetic tells the story. An operator with ten wells requiring single-well financial assurance will require a surety bond of $1,500,000. An operator with 50 wells requiring single well financial assurance will need a surety bond (or some other instrument) valued at $7,500,000. I concede the actual calculation may be more complex depending on the mix of the number and depth of wells, but this is a simple and instructive way of looking at it. In my opinion, blanket bonding options are the superior approach in the context of providing bonding for oil and gas wells because they are easier to write and constrain less of the operator’s working capital and, thus, will be easier for operators and the surety industry alike to implement.

Of course, there are alternative options to surety bonds. For example, an operator could provide a letter of credit or even a cash bond if the rules permit such bonds. But these options mean 100% of the associated costs to the operator would be tied up in the letter of credit or other similar instruments. A letter of credit would need to be irrevocable, given the non-cancelable feature of the plugging bond.

These instruments would function like surety bonds in at least two ways in terms of how an operator could provide a letter of credit. First, an operator could draw on its line of credit at their bank to post an irrevocable letter of credit. Or second, the operator could post cash in a certificate of deposit to back the letter of credit issued by the operator’s bank. The problem with these options is that, with the required bonding level for multiple wells subject to single well financial assurances, they are beyond the means of many small- and medium-sized operators. Further, the more working capital that is tied up to meet bonding requirements, the less working capital operators will have available for other expenses that go towards ensuring proper and clean operations. Of course, it is a truism that as costs (caused by the bonding requirements or other reasons) increase, the less profit there is to attract investors and owner support for oil and gas operations in New Mexico. And, again, these effects are more impactful on small and medium-sized operators. For these sizes of operators, working capital and investment capital are generally minimal. Surety providers are far less likely to approve larger bonds when an operator's investment capital and working capital are barely adequate upon initial analysis.

At a minimum, these new proposed surety instrument requirements, especially single well financial assurances, will tie up operators' working capital, decreasing the capital available for investment in things like drilling and other activities (including plugging and abandoning wells). Compound this with the likely premature plugging and abandonment of "economic wells and well units," which would further impact the cash flow, capital, and working capital of the operators, the proposed surety and bonding requirements will negatively impact small and medium sized operators' ability to obtain bonding on new and existing wells.

I have also reviewed the written testimony of NMOGA witness Dan Arthur, who explains that the risks and concerns I summarize above are compounded by the serious risk of premature plugging and abandonment of "economic wells and well units" posed by the proposed regulations. Mr. Arthur also explains in detail the impacts the proposed increased levels of required financial assurances will have to an operator's cash flow, capital, and working capital, which will negatively impact the operator's respective ability to obtain bonding on new and existing wells.

Hence, my concern that the financial assurance amounts being sought by WELC could create a situation where otherwise stable and productive companies cannot afford a surety bond (or any other form of bond) in the amounts being proposed in this rulemaking.

B. Proposed Financial Assurance Requirements

1. Active Wells

WELC proposes amending 19.15.8.9(C) NMAC to either (1) impose a single-well financial assurance requirement of $150,000 for each "active well,"[2] or (2) allow an operator to post a blanket bond of $250,000 to cover the financial assurance requirement for all active wells, but even where the blanket option is utilized, the operator remains subject to additional single-well financial assurance requirements for marginal wells as I explain below. These standard per-well requirements will result in excessive and unnecessary bonding for many individual wells not bonded through blanket bonding.

My principal concern with this proposed amendment is that it cannot be viewed in a vacuum. The majority of operators will likely have a mix of wells, with some being covered by a $250,000 blanket bond and others requiring a single-well financial assurance of $150,000. The sums would be additive, and WELC's proposed amendments must be viewed in that context.

Obtaining numerous single well financial assurance instruments in addition to high-volume blanket bonds, as will be required to comply with WELC's rule as proposed, will be difficult, if not impossible, under the current surety market.

The current New Mexico plugging bond is a noncancelable form, and its term is unique in that it is typically issued for the life of the subject wells it secures, from permitting to plugging, and cannot be canceled until the wells are properly plugged and the state, as obligee, releases the

[2] WELC's proposed amendment to 19.15.8.9(C) NMAC would define "active wells" as wells subject to financial assurance requirements pursuant to 19.15.8.9(A) NMAC, but not subject to either (i) inactive well financial assurance requirements (which WELC also proposes to amend and broaden the financial assurance requirements to encompass more types of temporarily abandoned wells) that I discuss below in Part III.B.3. of my testimony, or (ii) the new marginal well financial assurance requirements WELC proposes that I discuss next in Part III.B.2.

obligation. The surety industry disfavors noncancelable bond forms because the surety provider is unable to get off the noncancelable bond unless another company replaces it.

The underwriting of financial security bonds depends primarily on the financial stability of the bonded operator and the length of time the operator has been in business. A surety annually reviews the financial statements of operators because the financial situation of the operator can change over time. With an annual or multi-year term bond, the surety has the option to non-renew at more frequent intervals, providing time for the operator to replace it. If the amount of bond increases significantly, many sureties, if they could, would seek to get their existing bond replaced by another surety, collateralize the bond, or ask the operator to replace it in another way.

These proposed amendments remove the risk-based individual well financial assurance requirements and tiered blanket bonding currently in place for active wells. Under the existing regulations, active wells can be secured by individual well assurance starting at $25,000 plus $2 per foot drilled or proposed; alternatively, operators can obtain blanket bonding coverage of $50,000 for one to 10 active wells, $75,000 for 11 to 50 active wells, $125,000 for 51 to 100 active wells; and $250,000 for more than 100 active wells. 19.15.8.9(C) NMAC.

I recommend retaining the risk-based individual well financial assurance requirements and tiered blanket bonding alternatives. WELC would instead adopt a counterintuitive one-size-fits-all approach that ignores well characteristics, and as I read it, would require a blanket bond of $250,000 for just two active wells – a level of bonding which is currently only required where an operator has over 100 active wells.

2. Marginally Producing Wells

WELC also proposes adding to the financial assurance requirements for marginal wells, but at least to a non-lawyer, in a very confusing manner. Under WELC's proposed subparagraph 19.15.8.9(D)(2) NMAC, WELC would require that *beginning January 1, 2028*, **every** marginal well must have single-well financial assurance of $150,000. Additionally, WELC would *immediately* require $150,000 in single-well financial assurance for all marginal wells that are being transferred or are part of a transaction like an asset assignment or purchase agreement under its proposed 19.15.8.9(D)(1) NMAC.

In addition, under WELC's proposed 19.15.8.9(D)(3) NMAC, any operator whose well inventory is composed of 15% or more of marginal or inactive wells, or a combination thereof, must provide single well financial assurance of $150,000 for all of an operator's wells, not just their marginal wells, until the percentage decreases to below 15%.

My thoughts regarding these proposed provisions are in keeping with my more general comments above in Parts III.A-B.1. Regardless of an operator's financial health, many operators will find that the additive effects of the applicant's proposal to impose these increased financial assurance requirements will result in financial assurance obligations that many operators simply cannot satisfy. The reality of the current state of the surety market, which requires operators to demonstrate significant levels of available working capital, is that the market will be inaccessible to many operators.

In addition, based on my review of Mr. McGowen and Mr. Arthur's testimonies, WELC's proposal to add a new definition for a "marginal well" could result in the application of these increased financial assurance requirements to a large number of viable producing wells. I discuss my analysis of the proposed definition of "marginal well" below in Part III.C.

Other jurisdictions do not differentiate between marginal and other wells for financial assurance determinations. Texas, for instance, calculates financial assurance requirements for all wells by the number of wells only and without reference to well production levels. In Texas, blanket bond amounts range from $25,000 for one to 10 wells to $250,000 for 100 or more wells. Mr. McGowen and Mr. Arthur discuss multiple other states with similar financial assurance programs with no direct or indirect reference to production thresholds, which the proposed definition of marginal wells would create here.

3. Inactive Wells and Temporarily Abandoned Wells

WELC would move the financial assurance requirements for inactive and temporarily abandoned wells from 19.15.8.9(D) NMAC to subparagraph 19.15.8.9(E). Therein, WELC proposes that wells that are inactive, or in approved or expired temporarily abandoned status, or for which the operator is seeking approved temporarily abandoned status, will also require either single well financial assurance of $150,000 or a blanket bond that amounts to an average of $150,000 per well.

Yet again, WELC's proposed amendments would remove the risk-based individual well financial assurance requirements and tiered blanket bonding currently in place for inactive wells and wells that have been in temporarily abandoned status for more than two years or for which the operator is seeking approved temporary abandonment. Under the existing regulations, such inactive and temporarily abandoned wells can be secured by individual well financial assurance starting at $25,000 plus $2 per foot drilled or proposed; alternatively, operators can obtain blanket bonding coverage of $150,000 for one to five inactive wells, $300,000 for six to 10 inactive wells, $500,000 for 11 to 25 inactive wells; and $1,000,000 for more than 25 inactive wells. 19.15.8.9(D) NMAC. Under WELC's proposed inactive well financial assurance requirements, coverage for 25 inactive wells would take $3.5M in financial assurance, where only $500,000 of coverage is currently required.

In my experience, the required single well financial assurance of $150,000 is far greater than the typical costs required to plug and abandon the typical onshore oil and gas well in New Mexico. Mr. Arthur noted his similar experience with plugging costs, noting that such costs vary dramatically, from less than $20,000 to significantly more (depending on well type, location, and depth).

Relatedly, the $150,000 single well financial assurance requirement is not feasible and does not align with surety market availability and thresholds for bonding across asset classes because the surety market cannot support the significantly larger financial guarantee due to the non-cancelable nature of the bond and variability of the financial qualifications of the operators over the years. Again, the additive effect of the proposed single well financial assurance bonding level will be difficult or impossible for some operators to achieve for the reasons I explained above in Parts III.A-B.1.

I also note that a blanket bond that averages $150,000 per well will be very difficult to track, as inventories change frequently. This will likely pose an enforcement issue for OCD, too. Mr. Arthur confirmed the same in his testimony. Blanket financial assurance has become a standard industry practice because blanket bonds are less difficult to underwrite and represent a smaller portion of an operator's working capital and capital. As mentioned above, blanket bonds are currently utilized in many jurisdictions, including Texas.

If the proposed single well financial assurance amount remains in place using a $150,000 amount, most small and even medium-sized operators will no longer be able to qualify for the bonds in the standard surety market. The non-cancelable nature of the bond is a major underwriting hurdle. Consequently, fewer surety companies will be willing to assume that risk.

Additionally, I note that under WELC's inactive and temporarily abandoned well financial assurance requirements proposal, the blanket financial assurance represents a running average amount. While I am not an expert in how operators and regulators would address this requirement of fluctuating average values, it seems reasonable to me that it would create a moving target for inactive/temporarily abandoned well blanket bonding requirements, and that might raise issues associated with managing fluctuating average values. The ever-changing average values will create uncertainty in the underwriting process and will amplify the concerns I have regarding the private surety market's ability to meet the demand that will be required under WELC's proposed single well financial assurance requirements.

For example, a logical conclusion would be that it may be difficult for an operator – or a regulator, for that matter – to track bond sufficiency across dynamic portfolios with frequent acquisitions and dispositions, which is common in the oil and gas industry. Mr. Arthur's written testimony addresses this issue in some detail, and I found his testimony to be persuasive. Furthermore, his testimony also informed me that for leases covering multiple wells, less productive wells are kept producing to maintain a lease or unit and prevent lease or unit expiration. Therefore, for the surety industry, it makes sense for multiple well operators to have a blanket bond covering all the wells, which better mirrors operations and would be easier to underwrite by the surety.

Finally, if these changes are implemented mid-term of a surety billing cycle for existing bonds, the surety industry will struggle to update amounts and will not be consistent in their approach.

Most cases will require re-underwriting of the principal, including a review of all outstanding bonded obligations and an assessment of the surety's willingness to maintain its support. In many instances, the surety will require replacement of the existing bond with one issued by another surety. Differences in underwriting criteria, variability in responses, and inconsistent timelines—compounded by the multiple parties involved (principals, agents, brokers, and sureties)—make an orderly update of the existing bond highly unlikely.

4. Individual Well Financial Assurance for Incomplete Blanket Bond Coverage

WELC proposes adding subparagraph 19.15.8.9(F) NMAC, which would require operators whose existing blanket financial assurance does not cover all wells to provide individual bonds for the uncovered wells, subject to regulatory requirements, i.e., WELC's proposed financial assurance requirements, and statutory limitations. WELC would also remove the alternative option for operators to file a replacement blanket bond.

This proposal presents significant practical challenges. The current surety market is not equipped to issue hundreds of individual well bonds on a broad scale. Underwriters are likely to decline bond requests if the operator lacks clarity about required bond amounts or fails to meet stricter underwriting criteria. As bonding limits increase, fewer surety providers will be willing to issue non-cancelable bonds. In many cases, issuing such bonds will require internal escalation and approval within the surety company, introducing additional delays and uncertainty. These market realities could result in serious disruption to operators' ability to comply with financial assurance requirements.

5. New Requirement for OCD Approval of Financial Assurance Prior to Both Drilling New Wells and Acquiring Existing Wells

WELC further proposes amending 19.15.8.9(A) NMAC by adding an express requirement that the OCD approve the required financial assurance before any proposed drilling or acquisition. My biggest concern with this provision is that the sweeping language seems to require the bonding of legacy wells preacquisition at a level that the private surety market is not able to provide, as explained above in Parts III.A.-B.1.

6. Annual Adjustment for Inflation

Finally, WELC would require that all authorized financial assurance amounts be adjusted annually to reflect inflation using the Consumer Price Index under its proposed subparagraph 19.15.8.9(G) NMAC. I believe the inflation linkage is ambiguous and unnecessary. If retained, it should be tied to a New Mexico-specific index.

The additive effects of these provisions may impede transfers and may exceed the ability of at least some operators to secure a surety or other bond. As I explain above in Parts III.A-B.1., the current surety market is limited by its own capacity constraints and the practical unavailability of high-volume or single well financial assurance at the levels proposed by WELC, particularly for marginal wells.

C. Adding a New Definition of "Marginal Well"

WELC proposes to add a definition of "marginal well" under 19.15.2.7(M)(2) NMAC that would define an oil or gas well as a marginal well when or if it produced less than 180 days and less than 1,000 barrels of oil equivalent within a consecutive twelve (12) month period.

WELC's proposed inclusion of the "marginal well" definition present serious potential cost implications for operators and even the state. Application of a definition that does not align with the operational reality of marginal well production could also result in misclassification which will in turn impact investment and production decisions. I found Mr. McGowen's testimony particularly persuasive in highlighting the operational realities associated with marginal well classification—especially how overly broad or misaligned definitions can disrupt infrastructure planning, complicate lease retention strategies, and lead to disincentives for continued investment in low-producing but still viable wells.

Moreover, the definition of "marginal well" may be used in financial assurance calculations, although WELC's proposals are unclear on that point. As explained above in Part III.B.2, WELC proposes numerous $150,000 single well financial assurance requirements for marginal wells, which appear to ultimately result in a $150,000 assurance for every marginal well in the future. Using a definition that misclassifies wells as marginal could lead to a significant overestimation of decommissioning liability. This, in turn, would place additional strain on a surety market that is already limited in capacity and unprepared to handle the surge in private bonding demands likely to arise under WELC's proposed regulations.

D. Adding a New Definition of "Beneficial" and Presumptions of No Beneficial Use

1. Defining Beneficial Purposes or Beneficial Use

WELC proposes adding a new definition of "beneficial purpose" or "beneficial use" under 19.15.2.7(B)(6) NMAC as "mean[ing] an oil or gas well that is being used in a productive or beneficial manner such as production, injection, or monitoring, and does not include use of a well for speculative purposes." Use of vague language like "speculative purposes" in defining beneficial purposes should be struck. When vague terms like this are used, it can translate into uncertainty for underwriters, making bonds even more difficult to issue and obtain.

2. Presumptions of No Beneficial Use

WELC proposes to adopt volumetric production or injection thresholds[3] that, if not met, would trigger a rebuttable presumption of no beneficial use under a new provision at 19.15.25.9 NMAC. This presumption, if not refuted, will lead to a determination that could trigger the obligation to temporarily abandon or properly plug and abandon a well pursuant to 19.15.25.8 NMAC. This, in turn, would affect the well classification and corresponding level of bonding that is required, as I explain in Part III.B.1.-3. above. I share the concerns raised by Mr. Arthur and Mr. McGowen that using a narrow definition of "beneficial use" as a basis for financial or bonding requirements is impractical and creates unacceptable underwriting risk, adding further uncertainty and volatility to the already-constrained surety market.

Under WELC's proposed 19.15.25.9(D) NMAC, to rebut the presumption, operators would have a 30-day response window to provide multiple types of documents, including documentation proving "production in paying quantities." In my experience, however, "production in paying quantities" is fundamentally a lease-level economic standard, not a well-specific metric. Applying this standard to individual wells is misleading, as well-level production can vary widely due to market dynamics, seasonal fluctuations, and infrastructure constraints. This misapplication injects further uncertainty into the underwriting process, particularly for marginal wells.

IV. RECOMMENDATIONS

The Commission should strike or significantly redline WELC's proposed marginal well financial assurance requirements due to the legal, operational, and economic risks that such

[3] Production wells would be presumed to have no beneficial use if, in a consecutive twelve-month period, there was less than ninety days of production and less than ninety total BOE. Saltwater disposal and injection wells would be presumed to have no beneficial use if, in a consecutive twelve-month period, there was less than ninety days of injection and less than one hundred barrels (bbls) total injected.

amendments will create.

Further, I recommend that the Commission preserve or refine the blanket bond concepts already in place for active and inactive wells, and select temporarily abandoned wells, which, in my opinion, could be scaled by operator size or well count. The Commission also should provide for a $250,000 blanket bond that covers all wells, with no overlap with single-well financial assurance requirements. I advocate for blanket bonding because, as explained above, blanket bonds are easier to write and represent less of the Operator's working capital.

That being said, I found Mr. Arthur and McGowen's testimony advocating for a risk-based bonding system for single well financial assurance that varies by well characteristics also persuasive. If single well financial assurance requirements are to remain, I believe it would also be wise to introduce a risk-based approach informed by statistical data on orphan wells and operator default rates. It should also include a tiered bonding system adjusted for operator history, production status, and compliance record. This would avoid the undesirable effects of increases in bonding disputes and divestment of marginal assets that Mr. Arthur explained have resulted in states like Colorado, where high default per-well bonding assumptions – like the $150,000 per well proposed by WELC – automatically apply.

I also believe the inflation linkage proposed under 19.15.8.9(G) NMAC is ambiguous and unnecessary. If retained, it should be tied to a New Mexico-specific index.

Finally, I recommend that the bond instrument be modified to convert it into a periodically renewable form, with each renewable period not exceeding two years. This will significantly increase the ability for operators to qualify for the bond and make it meet more surety company underwriting guidelines. Furthermore, for those sureties that require non-cancelable bonds to be referred to a higher authority, converting the bond to a periodically renewable form will streamline the underwriting and approval process.

That concludes my testimony on behalf of the New Mexico Oil and Gas Association.

SIGNATURE PAGE

I hereby affirm that the statements, analyses, and opinions contained in this report are true and accurate to the best of my knowledge and belief. This report has been prepared in a manner consistent with generally accepted standards.

Prepared by:

Signature: Douglas R. Emerick **Date:** August 6, 2025

Name: Douglas R. Emerick

Title: Director of Operations

Company: Insurance Expert Network

Dated this 8th day of August 2025.

Respectfully submitted,

By:______________________

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Testimony of Douglas R. Emerick
NMOGA Exhibit F

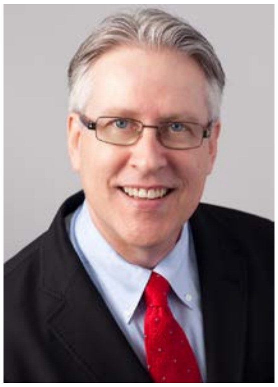
EXHIBIT A

Curriculum Vitae

Douglas Emerick

Douglas R. Emerick

Professional Experience



Insurance Expert Network 2007- Present
IRCOS, LLC – General Manager 2007-2021
Director of Operations
These firms provide insurance and reinsurance arbitration, mediation, company startup and runoff, due diligence, feasibility studies, product research and development, policy review and underwriting audit, expert witness, litigation support and insurance expert referral services.

EMERICK CONSULTING, Morrisville, PA 2005-Present
Owner
Continued development of econometric data delivery products and established residential computer assistance business.

- Provides risk management services for IRCOS, LLC and Insurance Expert Network, LLC
- Organized and coordinated separate marketing effort for econometric products, including the hiring of sales persons
- Spearheaded any joint venture development efforts that included market analysis
- Provided high level technical support for products
- Expanded product line of client to include business interruption estimator and researched workers compensation exposure analysis tool
- Established local residential computer and network assistance services

MARSHALL & SWIFT/BOECKH, Princeton, NJ 1994-2005
Manager - Econometric Services & Eastern Region Sales Manager
Developed new product line and extended company's penetration of existing product lines into commercial insurance and tax assessing industries. Managed a joint venture endeavor with data provider

- Developed new and maintained 94% of existing sales for Eastern division
- Directed programming and development of industry first and only commercial contents exposure estimating program (CCI)
- Increased commercial outsourcing revenue by 347% with profitability over 45% by creating methodologies that integrated commercial building and contents estimating technologies
- Managed outsourcing project for company's largest ($12 million revenue) single account
- Spoke at various public and trade conferences on business, profit and market impact issues

CONTINENTAL INSURANCE, Cranbury, NJ 1979-1994
Senior Vice President - Corporate Underwriting
Developed new review and oversight of fidelity and surety product lines and operating groups. Developed and implemented new underwriting tools. Coordinated with corporate planning. Authority on large or complex credit extensions over branch-level limits. Designed plan for and implemented new auditing standards and profitability improvement of surety underwriting practices.

Vice President - Field Operations
Managed field operations (17 offices, 85 staff) for profitability, growth and efficiency objectives of $60 million unit that returned 18% profit on revenue. Held Treaty level authority in all lines including D&O, E&O, Financial Institution, Commercial Fidelity and ancillary coverages. Responsible for Canada Offices, production and profitability.

- Led management team -analyzed and restructured field operations to enhance production and profitability resulting in expense savings of 22% and revenue growth of 9.8% in the first year
- Conceived, designed introduced first on-going professional training program for industry and product areas
- Established comprehensive producer management system to focus production efforts, identify potential key producers and provide incentive awards resulting in a revenue growth of 58% over 3 years
- Streamlined submission requirements further reducing continuing expenses by 4.6%

Vice President - Central Region, New York, NY & Cranbury, NJ
Directed underwriting and production efforts of the Central Region field and Home Office units (12 direct reports) Maintained underwriting standards, through soft market, across multiple lines of business including Financial Institution and Commercial Fidelity, D&O and E&O

- Achieved premium growth of 21% over two years
- Increased net profit from 6% to 18%
- Responsible for section development of new financial institution D&O policy

Senior Manager, Braintree, MA
Established this new office and managed all phases of field office operation

- Developed office into the largest D&O underwriting branch and second largest branch overall Increased revenue 871 % in three years
- Streamlined and improved producer plant. Reduced expenses 3.1%
- Worked with agents and consulted with insureds on coverage and terms necessary.
- Scored far above competition for service (100% "Same or Better'"), professionalism (87% -100%) and knowledge (100%) in anonymous Producer Survey
- Participated in the development of financial Institution D&O policy
- Earned highest incentive award in unit in 1992 for profitability (36.4%) and growth (245%)

Sr. Underwriter, Dallas, TX
Responsible for production and underwriting of all sizes of fidelity and surety accounts in North Texas Territory

- Designed and implemented Continental's first "call report" automated analysis tool for evaluating financial institution risks. This was adopted for company-wide use reducing underwriting time by 44%
- Designed, implemented and maintained database for producer and policy information that enabled company to successfully combine two field office operations into Dallas with no additional staffing
- Worked with agents and consulted with insureds on coverage and terms necessary.
- Managed contractor risks of all sizes and miscellaneous surety accounts generating up to $350,000 in annual premium
- Trained in underwriting and developed D&O and E&O business for existing book of non-surety business.
- Received national Employee Award for accomplishments in underwriting, production and office operation improvements

Underwriter, York, PA
Responsible for underwriting all sizes of commercial and financial institution fidelity, contract and noncontract surety accounts in the Central Pennsylvania, Maryland and DC areas. Claims payment handling as required.

Education

Certified Mediator – MTI –Mediator Training Institute International

IIA – **INS** Certification - General Principles of Insurance, Principles of Fire, Marine and Allied Lines and Principles of Casualty Insurance and Bonding

BS - Business Administration, Gannon University, Erie, P A, Deans List,

Expert Witness Experience (Parties in Bold type were retaining side)

- PKF-Mark III v. **SEPTA** (Philadelphia CCP October Term 2004, No. 003323) – Reported on causal linkage of contract termination and Surety Line of Credit reduction. Case settled to defendant's benefit. David Braverman, Esq., Braverman Kaskey *February 2007*
- Hudson Savings Bank v. **Progressive Insurance** (United States District Court –Massachusetts-Civil Action No. 06 CA 11967 RGS) Reported on and provided deposition on rescission of Financial Institution Bond due to material misrepresentation. Case Settled to defendant's benefit. Deborah Griffin, Esq., Holland & Knight *October 2007*
- **Confidential Consultation** – Provided litigation support on a case involving a denial of claim for a large loss under a Commercial Crime Policy to an attorney representing the agent. Case settled to agent's benefit. Michael Margolis, Esq. and Stephen Tisman, Esq, Margolis & Tisman *April 2008*
- **Rice** v. Interlake (Philadelphia CCP, April Term, 2003; No. 2328)-Provided report on the financial security of a supersedeas bond filed by a surety company. Patrick J. Keenan, Esq, Duffy + Partners *February 2009*
- **Gunderson** et. al. v. F A Richard & Associates et.al. (Louisiana Fourteenth Judicial District, 2004-002417, DIV. "D"). Accepted as a surety underwriting expert and testified as to the "sufficiency" of an appeal bond filed by a licensed surety company on behalf of one of the defendants. Ruling of court correlated with the substance of the testimony. Arthur Murray, Esq., Stephen Murray, Esq., Murray Law Firm, (504) 525-8100 and Thomas Filo, Esq., Cox, Cox, Filo, Camel & Wilson *November 2009*
- **Confidential Consultation** – Assist attorney/homeowner claimant to obtain proper restitution for loss suffered as a result of a fire while addition was being added to the home. *October 2010*
- Progressive Casualty v Jackie K. Delaney et al – **FDIC** involved and was retaining party. Expert witness on policy interpretation issues related to claim made by FDIC on bank's D&O policy relative to several directors and officers prior to takeover by FDIC. Geoffrey Long, Esq. and Andrew Reidy, Esq, Dickstein Shapiro November 2011
- Progressive Casualty v **FDIC** as receiver for Michigan Heritage Bank et. al. – Underwriting expert witness on policy interpretation issues related to bank's D&O policy. Edward J. Hood, Esq., Clark Hill PLC February 2012
- Merchants Benefit Administration, Inc. v **Hartford Fire Insurance Company** et. al. - Underwriting expert witness on commercial fidelity policy. Opined on the materiality of internal control questions and loss information on renewal application to Defendant's writing, pricing and acceptance of plaintiff's renewal policy.Spencer Proffitt, Esq. Lewis Brisbois Bisgaard & Smith LLP April 2012
- Progressive Casualty v **FDIC** as Receiver of Omni National Bank – Expert witness on policy interpretation issues related to Omni's D&O policy.Carey L Menasco, Esq., Liskow & Lewis July 2012
- Progressive Casualty v **FDIC** as receiver for Silver State Bank et al. – Expert Witness on policy interpretation issues related to claim made on the Bank's D&O policy.Anthony W. Kirkwood, Esq., Mullin Hoard & Brown, L.L.P. August 2012
- Hanover Insurance v. **Smith Brothers Insurance** – Contract Surety Underwriting Kenneth R. Rothschild, Esq., Golden, Rothschild, Spagnola, Lundell, Boylan & Garubo, P.C. November 2012

- **Krivit** v MetLife Auto & Home – Residential replacement cost method and practice analysis
  Steven J. Pace, Esq., Shuttleworth & Ingersoll, P.L.C. March 2013
- First Bank of Delaware v **Fidelity & Deposit Company (Zurich)** –Directors & Office Liability policy and claim analysis involving Entity and Electronic Risk coverages
  Kelly M. Lippincott, Esq., Carr Maloney P.C. April 2013
- Ironshore v **Banyon Capital** - Commercial Fidelity Underwriting
  Jason S. Mazer, Esq, Ver Ploeg & Lumpkin, PA, August 2013
- **Lincoln General** v Arrowhead of California - Contract Surety underwriting
  Edward Ruberry, Esq., Ruberry, Stalmack & Garvey, LLC, September 2103
- **Moneygram** v Lloyd's – Commercial Crime Underwriting
  Christopher Yetka, Esq., Barnes & Thornburg, LLP September 2014
- **Hub** v. BNC – Financial Institution Bond Underwriting May 2014
  Mayes Morrison, Esq Lewis, Roca Rothberger LLP
- Enloe v **Trinity Capital Corporation et. al. v** Atlantic Specialty Insurance et.al. – D&O Underwriting
  Robert Warburton, Esq., Stelzner Winter Warburton Flores Sanchez Dawes, P.A**.** May 2016
- Patrick Dunfee **v. Newark Shopping Center** – Contract Bond Underwriting
  Brett T. Norton, Esq., Marks, O'Neill, O'Brien, Doherty & Kelly, P.C. June-2016
- **CoreLogic, Inc**. v. Zurich – Commercial Surety bond Industry standards
  David E. Weiss, Esq, Reed Smith September 2016
- **Auto Finders** v. Prime Service Agency, LLC et.al.- Commercial Crime Underwriting
  Michael Kovalsky, Esq., Zenstein & Ballard, PC March 2017
- **Tallan v.** Federal Insurance **– Employee Dishonesty Coverage Underwriting** **June 2018**
  Jay Rabin, Esq. Olshan Frome & Wolosky, LLP
- **NBB V. Everest National – Financial Institution Bond Underwriting** **November 2018**
  Brian Wheeler, Esq. Cowan Perry PC
- Dominion Mechanical Contractors, Inc. v. **FVCBank, Contract Surety Underwriting**
  Matthew Sorensen, Esq. Cameron/McEvoy PLLC March 2020
- **Karolina Khlebnikova, ano** v. Herman Boiko et. al. March 2021
  – Residential replacement cost method and practice analysis
  Maria A. Giragossian Giragossian Law, Inc

- **Publications**

- **Working as an Expert Witness,** CLEW News**,** Spring 2019

Testimony of Douglas R. Emerick
NMOGA Exhibit F

CERTIFICATE OF SERVICE

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Testimony of Douglas R. Emerick
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