

# MARKETPLACE REALITIES & RISK MANAGEMENT SOLUTIONS

- The Directors & Officers (D&O) Liability market **continues to be soft**, with broader terms available and program **rates flat or down as much as 15%**.
- Reductions on the primary layer are harder to negotiate and often available only if the incumbent carrier faces competition, so **marketing strategies tend to focus on excess layers**.
- Excess D&O rates have continued to soften, largely due to excess capacity. Rates as high as 80% of the **underlying layer have dropped as low as 60-65%**.
- **Coverage trends remain favorable**. The new primary D&O form issued by a leading carrier has set a broader standard and other carriers are replicating some or all of its enhancements.
- Today there is less separation between the traditionally challenging non-financial services industries (tech/media/telecom, life sciences and health care) and other sectors.
- Bermuda carriers continue to have a strong appetite for catastrophic risks. Many insurers have a bifurcated approach – their U.S. operations underwrite the primary and low excess exposure while their **Bermuda operations write the high excess CAT risk**.
- The credit crisis produced much litigation, including suits resulting from asset write downs or corporate insolvency, but most of these cases are working their way through the courts.
- As mergers and acquisitions heat up, however, **new D&O claims are being brought** by investors dismayed by the (low) values being assigned to their companies.

## PRICE PREDICTIONS

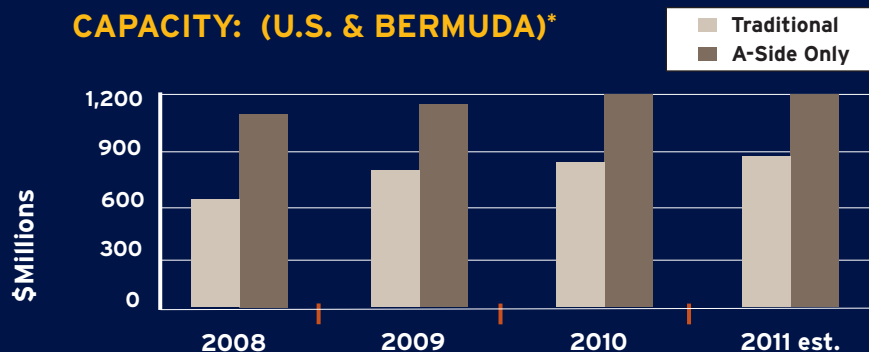
### COMMERCIAL:

Flat to -15%

### FI:

Flat to -20%

## CAPACITY: (U.S. & BERMUDA)\*



\* Markets will **not** usually write all types of businesses and/or will **not** necessarily make both their traditional (A+B+C) capacity and their A-Side limits available for every account.

## INDUSTRY HIGHLIGHTS

- **Financial Services** – Increased capacity has facilitated a quick transition from a hard to a stable market, with exceptional risks experiencing meaningful decreases.
- **Health Care** – Competition is putting the focus on the critical differences in terms and conditions.
- **Life Sciences** – Those without cash flow challenges are finding a buyer's market.
- **Real Estate** – Pricing has not yet returned to pre-credit crisis levels, but today, this industry class is closely tracking with general trends.
- **Technology/Media/Telecommunications** – While not all markets will use their full capacity on these risks, good risks garner serious interest and competitive terms.
- **Utilities** – Low frequency (but higher severity) makes these desirable risks.

## CONTACTS

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