

MARKETPLACE REALITIES & RISK MANAGEMENT SOLUTIONS

ERRORS
&

OMISSIONS

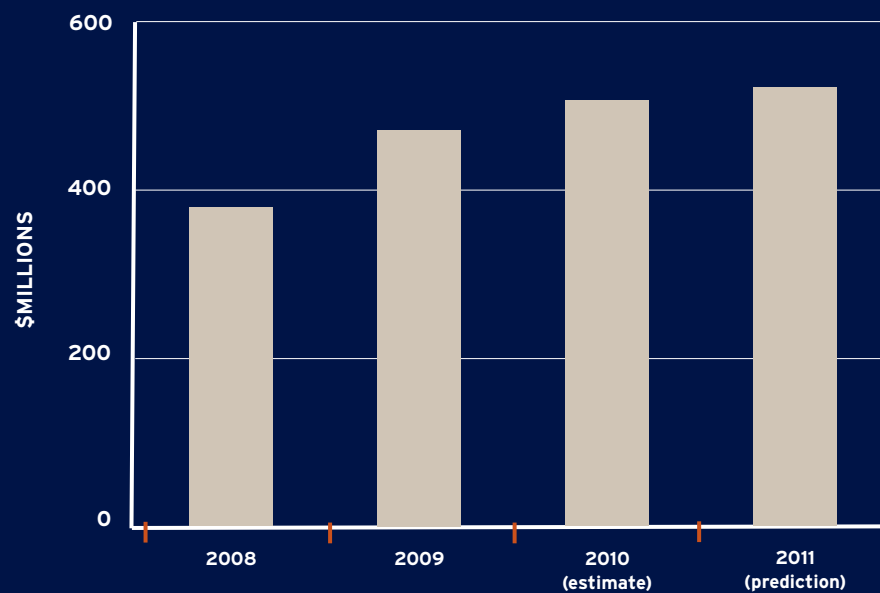
- Overall, **the global Errors & Omissions (E&O) market remains soft**, driven by an abundance of capacity fueled by new entrants and underwriters' desire to expand E&O market share. Authorized global E&O limits are approximately \$600 million, though any single insured will likely find available capacity from \$350 million to \$400 million.
- For a range of E&O market segments, reductions are expected in Q1 2011. While reductions will depend on exposure and industry type, **for many, rates will fall by up to 5%**.
- A counter trend is emerging as some underwriters are walking away from heated competition, **suggesting a turn in the E&O market**.
- **Competition will remain generally strong in the middle market** and continue on a more selective basis for large insureds in Q1 2011.
- Competition will continue to focus on price and policy wording enhancements, with **most insurers standing firm on deductibles**.
- Policy forms for mature market segments will not expand meaningfully in terms of core coverage although insurers will continue to add or enhance options to add Network Security and/or Privacy Liability coverage.
- Despite the expected recessionary spike in claim frequency, **severity has not followed suit**.
- Competition will continue for the most desired risks, putting an emphasis on submission quality and clarity.
- As the market firms in 2011, E&O buyers should find **ongoing opportunities to drive policy wording expansion**.

PRICE PREDICTIONS

Good loss experience:
Flat to -10% in Q1,
flat to +5% by end of 2011

Poor loss experience:
+5-10% in Q1,
+15-20% by end of 2011

E&O CAPACITY



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