

UPDATE: ACE AND CHUBB-FINANCIAL AND EXECUTIVE RISKS LINES

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Ace Limited's acquisition of The Chubb Corporation announced on July 1, 2015 for \$28.3 billion in cash and stock will, no doubt, prove impactful in both the short and long terms ([details here](#)). Both Ace and Chubb are key trading partners for Willis FINEX with strong, proven leaders and business models driven by technical underwriting and claim handling excellence. We can expect that the new entity, the result of the combined organizations ("New Chubb"), will be a market leader not just in size but in underwriting and claim expertise as well. Both Chubb (A++ A.M. Best's) and Ace (A++ A.M. Best's) have exceptionally strong ratings, and when the dust settles, the combined company may have one of the highest ratings among its peers.

D&O

For D&O, Chubb and Ace are both "go to" primary markets with CODA (Ace) and Chubb also commonly used as lead Side-A (an excess D&O, non-indemnifiable loss coverage). Based on the school of thought that primary D&O and lead Side-A should not be placed with the same carrier, some may question current program structures that feature New Chubb in both such positions. While Willis FINEX does not see this as a blanket concern, context and the specific characteristics of a D&O program will determine whether or not having the same carrier in both primary D&O and lead Side-A D&O positions could be a material issue. In most cases, no change of carriers will need to be made to maintain the integrity and functionality of your D&O program. In others, in part as a result of the combination, coverage features/wording may benefit from adjustments.

CYBER

For Cyber, the larger size and economies of scale that New Chubb will have could potentially empower it to play a more significant role in the rapidly growing/evolving market for Cyber insurance.





ALSO OF NOTE...

A potential consideration may be aggregation across a single program or more generally across a client. With respect to Financial Lines business, post-financial crisis trends have mitigated this risk considerably, either through carrier initiatives to reduce aggregation and manage limit profiles, or through client initiatives to mitigate counterparty risk and diversify carriers.

It will be months before the proposed Ace/Chubb deal can become effective. Thus, we have time to thoughtfully consider potential benefits and challenges the new combined company may bring. At this time, there is no need for immediate action. However, if you would like more information now, please do not hesitate to reach out to your FINEX resource or to me.

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