CUG.COMments

A Newsletter from Chicago Underwriting Group, Inc.
Underwriters of D & O and Professional Liability Insurance

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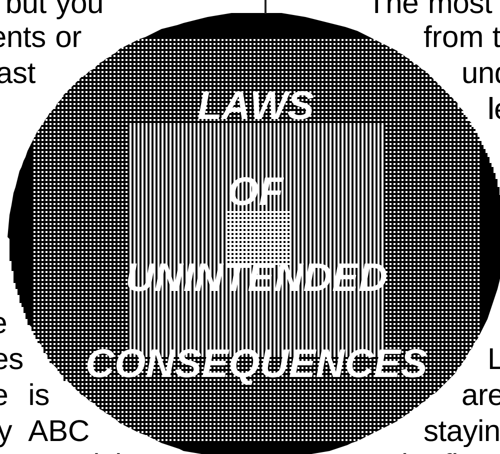
In This Issue ...

Our President and co-founder, Marty Perry reflects on the current D&O market.

It is clear that for some sectors of the D&O market, prices are starting to firm. There seems to be an acknowledgement by insurers with mature portfolios that premiums must increase to cover mounting loss costs. Some producers have asked us how we expect to manage any expected price increases. The question is usually accompanied with a plea not to tar all insureds with the same brush, to which our response is usually: "Fair enough, but you haven't let us get to know your clients or learn much about them over the past several years."



From our vantage point, it appears that a goal of many brokers has been to "commoditize" the D&O buying process. All insureds are generically presented, with little insight provided beyond the sheaves of publicly available data: "Here is another B2B company funded by ABC and whose lawyers are XYZ…our pricing parameters are... first in with the lowest price, regardless of security and history, gets the business… by the way if you ask any questions, you go to the end of the line."

This works well in a soft market where all insureds, good risks and bad, can take advantage of insurer competition. Problems come in a tightening market where an insured feels strongly that its risk characteristics and loss-control practices require favorable differentiation from its peers. Having previously been presented to the market as just another risk, this insured now wants its unique features to be displayed appropriately and taken into account by the underwriters.

But just as virtually everyone got the benefit of falling rates even if unmerited, the same all-embracing principle is in danger of applying when prices rise: if everyone is now claiming to be special, then no one is special - absent a consistent history of demonstrating this to the insurance companies.

The most effective way for buyers to stand out from the crowd is to get together with underwriters before there is a problem: let the underwriter see that there is a difference between the insured and its peers, that the benefits of risk management are recognized and that good procedures have been implemented.

Let the buyer evaluate which carriers are real experts with longevity and staying power and which are moths drawn to the fire of a short-term premium gain.

If a meeting is impractical, it falls to the broker to translate the insured's particular qualities into an informative and persuasive underwriting submission that answers more questions than it raises. Rather than watch helplessly as their clients get caught in a general upward price spiral, the broker can be pro-active: adopting these strategies will help to mitigate or even neutralize adverse market trends. ✍

*Editor's note: See **CUG.COMments**, Issue 6, October 1999 for some insight into what our underwriters look for in submissions (available on our web site, www.cug.com).*

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