



CUG.COMments

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

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In this issue.... miscellaneous items, plus some recent quotes related to the recurring theme of insurer / reinsurer stability.

CALIFORNIA CIGA FEE

Good news for California policyholders using licensed insurers. According to the California Insurance Guarantee Association (CIGA), the 2% fee that is currently charged on policies written with admitted California carriers will be discontinued for all D&O policies incepting on or after January 1, 2004. (Note: the fee will continue for certain lines of business; check with CIGA for full details.)

SEVERABILITY

Following our discussion of severability in the August issue of "CUG.COMments," this continues to be a topic of great interest. It also continues to be a topic subject to misunderstanding. In particular, we have seen "partial severability" endorsement wording meaning very different things. We suggest these endorsements should be read carefully: Is the glass half full or half empty? We believe our own partial severability wording can provide the desired "safety net" for "innocent" directors and officers, allowing them to be protected from the adverse coverage implications arising from misrepresentation by "bad actors." To see the wording, Severability Endorsement, D1097, visit this link on our web site: http://www.cug.com/do_endorsements.shtml

CUG APPEARANCES

Our Assistant General Counsel, Mike Early, appeared on a panel at a recent D&O Liability Insurance conference in New York, sponsored by the Institute for International Research. Mike will be speaking again in New York in December. This time the sponsor is the American Conference Institute, and once again the title of the conference is D&O Liability Insurance.

Jim Crockett was a panel member at the annual Fall Conference of the Chicago Chapter of the American Society of Corporate Secretaries. The topic discussed was "The Changing Role of the Corporate Secretary in D&O Liability Risk Management."

FEES & COMMISSIONS

A lot of the business we currently write is placed by brokers taking a fee for services rather than a percentage commission of the gross premium. We are quite willing to cooperate with this approach; however we ask that brokers tell us as soon as possible on what basis we should quote. This is especially critical when we are in an excess position, and need to know if the underlying pricing includes or excludes a commission. Thanks! ❖

"Now is a time to expect reported insolvencies to increase....Old practices are being questioned, managements are turning over, and accounting tricks are out of fashion."

--- Managing Insurer Insolvency 2003

Report prepared by Stewart Economics, Inc. July 2003

"Current market conditions indicate that purchasers should take a longer-term view of D&O coverage. Purchasers should be mindful of the financial strength and reputation of all D&O insurers in their programs and diligently evaluate the amount of coverage limits they purchase."

--- Jim Swanke, Tillinghast Towers Perrin;

Quoted in Insurancejournal.com, April 28, 2003.

“Considering the long-tail nature of many of today’s largest claims, it is critical that the sustainable financial viability of the insurer be the primary driver of every insurance purchase decision, even if it means paying a premium.”

--- Sheila Small, Assistant Treasurer, Verizon Communications
2003 Risk Manager of the Year
Business Insurance, September 29, 2003

“Of course, pricing will always be on the table, and it is an integral part of the debate over the quality and adequacy of reinsurance capacity, but financial security is the single most pressing issue that currently faces the reinsurance industry.”

--- Henry Keeling, Chief Executive of Reinsurance Operations,
XL Capital
Reinsurance magazine, September 2003

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