

Specialty Coverages Insider™

Excess & Surplus Lines ■ Admitted Carriers ■ Alternative & Offshore Markets

Crittenden Newsletters ■ P.O. Box 1150 Novato, CA 94949 ■ (800) 421-3483

Vol. 22, No. 30

March 17, 2008

CARRIERS MAKE TECH E&O ADVANCEMENTS

Tech E&O will remain on the high-priority list for many carriers this year thanks to increasing demand for this coverage and a soft market that is forcing companies to find new ways to bring in premium. **Media/Professional Insurance**, which uses **AXIS** paper, preps to release its new first party coverages, as **Hiscox USA** sees substantial growth with its **Lloyd's**-backed program. Meanwhile **OneBeacon** brings its new endorsements to more states, and **Stuckey & Co.**, which uses **ACE Westchester** paper, sees its pricing drop in this segment.

First- and third-party privacy liability coverages – also known as ID/data theft – will be the name of the game for tech E&O in 2008. Some carriers will add them as endorsements to the E&O form while others will begin to offer them standalone or give accounts the option to do either. As more state laws pop up requiring companies to provide credit monitoring and network breach notification to clients, more carriers will jump onto the ID theft bandwagon. Also look for more carriers to offer standalone hacker insurance policies offering first party protection for unauthorized breaches. Very similar to the ID theft coverage contained in most tech E&O forms, hacker policies are aimed more at non tech-related companies such as retailers and healthcare agencies that stand to lose quite a lot of money in business interruption if a hacker steals data or damages their system. Demand for hacker insurance will increase as more non-tech companies understand the need for this coverage.

Focus on Establishing Need

Right now most carriers are more focused on education and awareness-building than book-building, especially when it comes to the hacker and privacy coverages. Many agents and brokers still do not understand these coverages well enough to sell them, or at least sell them correctly. Many companies, therefore, are focusing efforts on things such as ID theft and tech E&O seminars to remedy this. While the tech E&O market has softened a little with everything else, tech E&O underwriters point to the fact that the tech market is growing rapidly and hence creating more demand. This has tempered the softening and let the carriers continue to grow their overall written premiums. However, one broker notes the effects of the possible recession, pointing to a drop in demand and the disappearance of some companies as possible keys to a shift in the market. One thing that makes the tech E&O cyberliability segment less prone to vicious rate swings is the diversity of coverages available.

Expect **Media/Professional Insurance** to introduce its new first party privacy coverage by the end of this month or in the first week of April. This coverage will require additional premium based on exposure, limits and retentions and will be offered as an endorsement to the tech E&O policy. Last year **Media/Professional Insurance** released its **TechNet Solutions** policy, which contains numerous enhancements over its former **CyberLiability Plus** policy. These include sublimits for regulatory actions, an adjudicated standard for discrimination claims, and a “soft hammer” clause that gives the insured more control over settlements.

Media/Professional, where **Michael Born** is VP of the claims department, saw a 30 percent increase in submissions for tech E&O coverage last year, resulting in a 12 percent increase in the number of policies written and a 7 percent increase in premium volume. Coverage is available in 50 states and is nonadmitted everywhere except New Jersey. It includes E&O, content, and a number of perils, including privacy, trademark, copyright, unauthorized access, and negligent acts E&O. Premiums and deductibles start at \$2,500, with primary and excess limits going to \$10 million. **Media/Professional Insurance** offers more than 100 endorsements for its tech E&O form and in July 2005 added coverage for unauthorized access in regards to rogue employees and some automatic coverage for subsidiaries.

Continued on Next Page

SPECIALTY LINES

BEAZLEY GROUP PLC (NR): Andrew Beazley, CEO, Plantation Place South, 60 Great Tower St., London EC3R 5AD, UK, 44 (0)20 7667 0623, andrew.beazley@beazley.com.

MONTPELIER REINSURANCE LTD. (A-): Anthony Taylor, chairman and CEO, Montpelier House, 94 Pitts Bay Road, Hamilton, HM 08, Bermuda, (441) 296-5550, anthony.taylor@montpelierre.bm.

ODYSSEY REINSURANCE GROUP (A): Andy Bernard, president and CEO, 300 First Stamford Place, Stamford, CT 06902, (203) 977-8000, abernard@odyssey.com.

PHILADELPHIA INSURANCE CO. (A+): James J. Maguire, Jr., CEO, 1 Bala Plaza, Suite 100, Bala Cynwyd, PA 19004, (610) 617-7900, j.maguire@philadelphiansurance.com.

ROOFING CONTRACTORS

ACUITY GROUP (A+): Ed Warren, VP commercial lines, P.O. Box 58, Sheboygan, WI 53082-0058, (920) 459-9131, fax (920) 458-1618, ewarren@acuity.com.

AMERICAN BUILDERS INSURANCE CO. RRG (NR): Jonathan Hooven, inside marketing director, Appalachian Underwriters, Inc., 439 S. Charles G Seivers Blvd., Clinton, TN 37716, (888) 376-9633, fax (866) 353-6901, jonathan.hooven@apui.com.

NATIONAL CONTRACTORS INSURANCE CO. INC. (A-): Bob Rock, president, National General Insurance Agency Inc., 2925 E. Riggs Road, 8-186, Chandler, AZ 85249, (480) 545-1999 ext. 777, fax (877) 484-9951, bobrockllc@cox.net.

CARRIERS MAKE TECH E&O ADVANCEMENTS...

Continued from Previous Page

OneBeacon's new data privacy and communications liability endorsements are now available in most states, with only a handful of pending filings remaining. The carrier began filing these endorsements in August and will have them approved in all 50 states eventually. OneBeacon has been writing some form of tech E&O since 1986 and focuses on information technology companies and medical technology companies. The carrier saw growth in the low double digits in 2007 for its tech E&O book. It is not much of a player in monoline tech E&O, preferring to package this with GL if it can, which it does in roughly one-third of its accounts. Minimum and average premiums vary widely. Limits do as well, though requests usually come in at \$5 million to \$10 million. Coverage is admitted and available in all states.

Stuckey & Co. sees pricing down by an average of 10 percent. The MGA introduced a new tech E&O form at the beginning of the year. It is backed by ACE Westchester and offers electronic media liability, intellectual property, and defense outside limits. Optional coverage with up to \$1 million in limits is also available, as is a telecommunications endorsement. With the help of the broadened coverage, the MGA hopes to double its tech E&O gross premium written this year to \$20 million from \$10 million. Limits can go to \$5 million/\$5 million but usually start at \$1 million. Premiums start at \$1,000. Deductibles start at \$1,000 and can go to \$250,000. Coverage is admitted and available in all states except Hawaii and Alaska. Stuckey & Co.'s general tech E&O form does not extend to hacker attacks, though this coverage can be purchased as an endorsement.

GL Coverage Needed

Hiscox USA has seen substantial growth to its tech E&O book over the last year. The MGA, which uses Lloyd's paper, is looking at putting together a GL element for its tech E&O form, though this will probably not be ready for some time. Hiscox has seen a big increase in demand for privacy coverage and attributes this increase to many things, including new buyers becoming aware of the exposure, customers who have had privacy breaches, more contracts requiring the coverage, and past buyers of "cyber insurance" realizing the coverage is not as comprehensive as a privacy policy. Hiscox offers privacy coverage as part of its tech E&O form as well as on a standalone basis. Hiscox also offers a separate hacker damage module that covers first-party costs for various hacker-related losses. Hiscox saw a 20 to 25 percent growth in its tech E&O book in 2007. Thanks to the addition of the privacy coverage early last year Hiscox has added a lot of non-technology companies with tech exposures to its tech E&O book. The MGA also began writing first-party liability coverage early last year, including cyber business interruption, cyber extortion and hacker damage. Both the privacy coverage and the first-party liability coverage are available standalone or as endorsements. Limits for both go to \$10 million aggregate for any one risk. Minimum retentions for both are generally \$2,500. Premiums start at \$2,000. For the privacy coverage, premiums and retentions average around \$25,000.

LIFE SCIENCES

MARKEL (A): Fran O'Connell, VP, medical underwriting, 10 Parkway North, Deerfield, IL 60025, (847) 572-6118, fax (847) 572-6377, foconnell@markelcorp.com.

MEDMARC INSURANCE GROUP (A): Tom Konopka, SVP, 14280 Park Meadow Drive, Suite 300, Chantilly, VA 20151, (703) 652-1310, fax (703) 652-1389, tkonopka@medmarc.com.

GEMINI INSURANCE CO. (A)/NAUTILUS INSURANCE CO. (A+): Jill E. Wadlund, president, Berkley Life Sciences LLC., 2445 Kuser Road, Suite 201, Hamilton Square, NJ 08690, (609) 584-6990, fax (609) 584-5770, jwadlund@berkleyls.com.

DARWIN SELECT (A-): Gary Leavy, lead underwriter, life sciences division, Darwin Professional Underwriters Inc., 9 Farm Springs Road, Farmington, CT 06032, (860) 284-1434, gleavy@darwinpro.com.

CHUBB (A++): Philip W. Fiscus, CPCU, SVP, worldwide manager, life sciences, Chubb & Son, Inc., 202 Hall's Mill Road, P.O. Box 1650, Whitehouse Station, NJ 08889, (908) 572-4316, fax (908) 572-5818, pfiscus@chubb.com.

TECH E&O

AXIS (A): Michael Born, VP, claims, Media/Professional Insurance, 2300 Main St., Suite 800, Kansas City, MO 64108, (816) 471-6118, fax (816) 471-6119, michael.born@mediaprof.com.

LLOYD'S OF LONDON (A): Brian Thornton, assistant VP, U.S. technology, media and telecom underwriting, Hiscox USA, 375 Main St., Armonk, NY 10504, (914) 273-7449, brian.thornton@hiscox.com.

ACE (A+): Maggie Hammett, program underwriter, Stuckey & Co., 28 Hawk Ridge Dr., Suite 200, Lake St. Louis, MS, 63367, (800) 828-3452 ext. 21, fax (636) 625-8897, maggie@stuckey.com.

ONEBEACON (A): Jeannie M. Olson, regional manager, technology, 601 Carlson Parkway, Suite 700, Minnetonka, MN 55305, (952) 852-2438, jolson@onebeacon.com.

EPLI MARKET UP AMDST FALLING RATES

The market looks to EPLI coverage to help bring in premium, even though rates for this class continue to fall. Companies such as **NAS Insurance Services** and **Stateside Underwriting Agency** add defense protection coverage. **Monitor Liability Managers Inc.** promotes its alien investigative proceeding coverage and wage and hour coverage. Other companies such as **Apogee Insurance Group** and **Russell Bond & Co. Inc.** see increased interest in EPLI. Top carriers include **Lloyd's of London, USLI, Chubb, AIG** and **Carolina Casualty**.

EPLI coverage has become a much more sought after class recently with the soft market helping to entice companies that didn't have the coverage before to purchase it. In addition, big stories in the media and a slight increase in claims frequency has left some companies feeling vulnerable without the coverage. Carriers are offering low limits packages as well as EPLI on a standalone basis to cover all ranges of potential clients. EPLI was seen as more of a luxury coverage before the market got so soft and premiums became ridiculously cheap. Insureds can now afford to purchase higher limits on a standalone basis. Doing so provides piece of mind to insureds that they are getting coverage for all of the potential exposures that may be out there. On a package basis, clients do not always have enough limits to cover these exposures. But the competition has made all of these enhancements get lost in the shuffle and companies that have done all they could in terms of enhancements and discounts are now looking to stand out with excellent service. There is no evidence of the market hardening anytime soon, even with an uptick in claims frequency, so look for carriers to continue trying to find new ways to attract new business.

In September 2007, NAS Insurance added new coverage for defense protection for wage and hour claims to its EPLI policy, which provides defense protection for 25 percent of the per claim limit. NAS also lowered the retentions it is able to write, as low as \$2,500 in most states, at that time. At the end of February the brokerage also began providing EPLI coverage for **American Resources Insurance Company** insureds on a reinsurance basis, working as the market for the program administrator **Rockwood Programs** of Wilmington, Delaware. NAS has been successful in writing EPLI and is always thinking of new ideas to improve its products. Although it predicts growth will be generally flat this year, the company does expect growth in reinsurance and program business. NAS' EPLI coverage includes tenant discrimination liability for property owners and/or managers. Standalone D&O coverage is available to some NAS EPLI insured. Facilities for all types of professional liability are also available. Premiums start at \$1,000 and average between \$4,000 and \$7,000. Coverage is available through Lloyd's in all states but Alabama and Alaska. NAS works with wholesale brokers, program business, and reinsurance of specialty carriers.

Continued on Next Page

EPLI MARKET UP AMIDST FALLING RATES...

Continued from Previous Page

Monitor began including illegal alien investigative proceeding coverage to EPLI policies by endorsement in September of 2006. The coverage provides a \$25,000 cost-of-defense sublimit for criminal investigations. It also began offering wage and hour coverage with up to \$100,000 for defense over two years ago.

Monitor has seen more awareness from companies for standalone EPLI and with the soft market and steadily falling prices, smaller companies are in a better position to purchase the coverage. The company, which is a member company of **W.R. Berkley Corporation**, has a dedicated small business unit that sells specifically to retail agents. It plans to introduce a revised online quoting system for wholesalers in the next 60 days to provide agents with prompt service. Monitor's EPLI program is endorsed by the Biotechnology Industry Organization (BIO), the Florida Restaurant and Lodging Association (FRLA), and the Restaurant Association of Maryland (RAM). Coverage includes wrongful termination, discrimination, all types of harassment including sexual, and third-party liability by endorsement. It is a claims-made, duty-to-defend policy, with premiums depending on the size of the company. Limits are available up to \$5 million on primary or excess. Monitor, where **Randy Mrozowicz** is VP of underwriting, works in all states and uses Carolina Casualty and **Admiral Insurance** paper.

Stateside Underwriting Agency added defense coverage for the Fair Labor Standards Act with a \$100,000 sublimit and defense coverage for breach of contract claims, which also has \$100,000 sublimits that are a part of the overall aggregate limit. The company also took an affirmative position on punitive damages insurable to amend its previous silent policy because of some states requirement for that endorsement. All of these additions should be available now. Stateside has been pushing EPLI to the mortgage banker and broker industry because it predicts there could be an uptick in activity due to the current market situation. The company is also working to carve coverage to deal with employee privacy issues, such as employee identity theft, which it hopes to introduce later in the year. Premiums for small companies start at \$1,500 and Stateside will write companies as high as \$500,000. It uses a claims-made form on an admitted basis with Scottsdale in Colorado, Indiana, Illinois, Maine, Minnesota, Ohio, and Wisconsin. Stateside is non-admitted in 43 states but is working to become admitted in five or six additional states within the next few months. It also works with **National Casualty** and has Lloyd's binding authorities. Stateside works primarily with wholesale producers.

Interest Up

Apogee Insurance Group has seen a significant increase in the purchasing of EPLI coverage, particularly third-party coverage and employee retaliation. It attributes a lot of this increase to the cross-selling its agents have been doing with other coverages such as D&O. Although Apogee offers EPLI in a package or on a standalone basis, it has been showing clients the discounts that are available to them by purchasing professional liability coverages together and gives them the option of separate or shared limits. The company brought on USLI as one of its carriers early last year because of its online quoting system and has seen significant growth from this partnership. In addition to USLI, Apogee works with Chubb, Carolina Casualty, and AIG as well as several other markets. Premiums start at \$1,000 and average \$5,000 for a claims-made form. Full prior acts is an option if the company hasn't had coverage in the past. Apogee is licensed in about 30 states throughout the country but mainly focuses on the Eastern seaboard. However, with its marketing push this year, it is looking to other areas of the country where there is an interest for EPLI and some of its other lines of coverage and could expand. Apogee's business comes entirely from independent agents.

Russell Bond & Co. sees many carriers offering a separate limit for defense and throwing in third-party coverage. Many classes that had formerly been restricted, such as auto dealers, are no longer off limits. The brokerage sees many more clients purchasing EPLI on a standalone basis and in conjunction with D&O. Russell Bond is very focused on this class of business and would like to see significant growth of at least 10 to 15 percent this year. It is working with brokers to round out existing accounts and promote it more, while also making it as easy as possible for insureds to add the coverage. The EPLI coverage includes sexual harassment, discrimination, wrongful termination – expanded to workplace torts such as personal injury, failure to promote, failure to grant tenure, and third party exposure that some carriers are throwing in. Russell Bond represents all the leading carriers including Lloyd's, Chubb, AIG, USLI, and **Travelers**. Premiums vary depending on number of employees but the company can provide a \$100,000 policy for a \$600 premium or a \$1 million policy for \$1,200 to \$1,500. Limits can range from \$25 million to \$50 million with layering but are typically between \$1 million and \$5 million. The policy forms are claims-made. Russell Bond works primarily in the Northeast with retail agents.

EPLI

ADMIRAL INSURANCE CO. (A+)/CAROLINA CASUALTY (A): Randy Mrozowicz, VP of underwriting, Monitor Liability Managers Inc., 2850 West Golf Road, Suite 800, Rolling Meadows, IL 60008, (800) 446-2100, rmrozowicz@monitorliability.com.

AIG (A+)/CAROLINA CASUALTY (A)/CHUBB (A++)/USLI (A++): Ryan Gotro, operations manager, Apogee Insurance Group, 489 Devon Park Drive, Suite 301, Wayne, PA 19087, (610) 337-3200, ext. 24, rgotro@apogeeinsgroup.

AIG (A+)/CHUBB (A++)/LLOYD'S OF LONDON (A)/TRAVELERS (A+)/USLI (A++): Tonya Hollederer, assistant VP, Russell Bond & Co., 295 Main St., No. 866, Buffalo, NY 14203, (800) 333-7226, ext.133, fax (800) 677-6779
thollederer@russellbond.com.

LLOYD'S OF LONDON (A): Melvin Osswald, VP, NAS Insurance Services Inc., 16501 Ventura Blvd, Suite 200, Encino, CA 91436, (818) 808-4467, fax (818) 382-2040, mosswald@nasinsurance.com.

LLOYD'S OF LONDON (A)/NATIONAL CASUALTY (A+)/SCOTTSDALE (A+): Jonathan Freeberg, marketing, Stateside Underwriting Agency Inc., 29 S. La Salle St., Suite 530, Chicago, IL 60603, (312) 345-1800, fax (312) 345-1889, jfreeberg@statesideunderwriting.com.

RATES DROP FOR ROOFING CONTRACTORS

With rates for insuring roofing contractors on the decline, some managing underwriting entities have found it necessary to seek out new carriers in order to increase their presences in more states. Risk retention groups such as the **National Contractors Insurance Co.**, have filings pending in states in the far west, northeast and south. **ACUITY**, a regional Midwest carrier, has scaled back its interest in covering this segment, and it has reflected in a slight decrease in premium for two years running.

Most roofers are small contractors, but the risk for this line of business is high because of the use of hot tar on some roofs. But another factor that insurers are wary of is that roofing contractors tend to hire young, inexperienced and inexpensive help. The workers compensation rate must be high due to the nature of the activity in roofing a building. Liability and bonds also are required for contractors. Liability coverage limits are offered up to \$1 million.

Risk retention group NCIC, through MGA **National General Insurance Agency**, grew its book of business at about a 20 percent clip from 2006 to 2007 and is expecting a similar rate in growth this year. NCIC still has filings pending in Georgia, Louisiana, Oregon, Pennsylvania and Washington. NCIC/National General, where **Bob Rock** is president, does not expect any other type of expansion at least until 2009. The program, geared for roofing contractors bringing in between \$300,000 to \$1 million in annual revenue, currently is available in Arizona, California, Colorado, Florida, Illinois, Nevada, New Mexico, New York, Texas and Utah. Limits can go to \$500,000/\$1 million with a maximum aggregate of \$2 million. The minimum premiums start at \$3,000 and deductibles range from \$5,000 to \$25,000. There also is a sublimit on hot tar of \$25,000, but an optional sublimit of \$50,000 is available at an additional 10 percent on the premium. Roofing contractors working on buildings more than three stories high are ineligible for this product.

Expansion into new territory and the garnering of additional A-rated carriers has allowed **Appalachian Underwriters** to increase its book of business in 2007 by 58 percent over 2006. This increase comes despite dropping the minimum premium for general contractors from \$1,500 to \$1,250 and from \$1,000 to \$750 for artisans. Appalachian Underwriters expects to more than double its book of business by the end of 2008. Appalachian Underwriters still places hard-to-place accounts on the paper of **American Builders Insurance Co.**, an RRG, but it now serves as MGA to carriers such as **American Safety Indemnity and United Specialty**, which is a member of the **State National Group**. Appalachian Underwriters, where **Jonathan Hooven** is the inside marketing director, credits the addition of State National for giving it a much broader footprint in the Midwest and West. Appalachian Underwriters targets the small to medium-sized roofing accounts. Appalachian Underwriters also brokers out business for **Century Surety**, which handles the hot tar exclusions, open-hole exclusions and torch or open flame exclusions. Century Surety will write accounts on a full occurrence basis if a roofing contractor has three-year favorable loss runs.

For the second consecutive year, **ACUITY**, a regional carrier based in Sheboygan, Wis., saw its premium intake for roofing contractors drop from the previous year, as it wrote \$2.08 million in 2007. **ACUITY** brought in \$2.26 million in 2006. Part of the reason for the drop is the fact **ACUITY** has not been as aggressive in seeking roofing contractors as in past years. Construction-defect lawsuits and workers' comp issues have been major factors in **ACUITY** shying away from this class of business. **ACUITY** requires buildings to be no more than two stories and employees to be covered by worker's comp. Limits of \$1 million/\$2 million/\$1 million are available, with an umbrella. Liability is normally written without a deductible.

CHANGE IN LIFE SCIENCES INCREASES ACTIVITY

The life sciences segment is evolving rapidly with new coverages, new forms, and new ways of approaching this complicated but extremely dynamic and growing sector. The year has opened with a flurry of activity. **Chubb** ushers in a whole new policy aimed specifically at the life sciences industry. **Berkley Life Sciences LLC** introduces a primary casualty product using **Gemini** and **Nautilus** paper. **Medmarc** in February introduced a completely revamped and much broader policy, and **Markel Shand, Inc.** ramps up its coverage as well. **Darwin**, a newcomer to life sciences, is focusing on education brokers about this niche in the market.

Life science underwriters across the board concur that the segment is softening considerably, with newcomers driving rates down and the largest accounts seeing the most significant rate reductions. Prices have in fact gotten so low that some carriers, instead of bringing them down even more, are shifting to occurrence forms, which has impacted business some for certain companies that offer claims-made coverage, such as Markel Shand. Look for manufacturers E&O for consequential loss/economic damages to be the big ticket in 2008 for life sciences — a class that until recently was mainly a GL and property exposure. Already E&O is popping up in new, broadened policies, as various types of companies within the life sciences field recognize the need for this in an increasingly litigious society. With more and more medical devices and test drugs being developed each year, it's no surprise that the number and types of lawsuits related to these things are increasing as well. Exposures such as financial loss, however, are not typically covered by medical malpractice forms. Liability coverage for clinical trials will continue to be a major growth area in 2008 for the same reason. Look for more carriers to target this viable development area, though the need for agents to study up and understand it makes clinical trials tough to covers.

Major Court Decision Seen as Positive

One major development in the life sciences world was the Supreme Court's decision last month in favor of **Medtronic Inc.** in *Riegel v. Medtronic*. The decision, which could affect many other similar types of mass tort lawsuits against medical device manufacturers, reaffirmed that the U.S. Food and Drug Administration (FDA) pre-market approval process for Class III medical devices preempts state tort lawsuits involving devices approved through that process. Overall, life science underwriters see the decision as positive, but their opinion of how it might affect rates or underwriting varies. Some think it is still too early to tell, while others are confident it will not affect rates or underwriting at all in the long run for medical device manufacturers because the decision involved only Class III devices and as such will do little to relieve the severity or frequency of claims made or suits brought. One underwriter believes it will have a positive impact on rates and will shift the liability from medical device manufacturers to medical device installers.

Chubb's recently launched healthcare professional liability policy is designed specifically for life sciences firms and their professional employees. The policy will be sold via **Chubb Custom Markets** through designated wholesalers, but is designed to work in association with Chubb's GL and E&O coverage suite for life science customers. In addition to serving pharmaceutical organizations, medical device companies and health care product service organizations, the new product allows Chubb to expand its appetite to include medical and dental laboratories and diagnostic service firms, including firms performing analysis. Chubb boasts 120 full-time employees focusing on the life sciences industry and a biotechnology industry organization (BIO) endorsement. Chubb's life science premiums generally start at \$3,000 for \$1 million in coverage, with minimum deductibles at \$5,000. Limits typically range from \$5 million to \$10 million, but can go as high as \$25 million for product liability and human clinical trials. Coverage is typically claims-made, with defense in limits, but can be underwritten on an occurrence form with defense outside of limits if underwriting standards for the products are met.

This month Berkley Life Sciences LLC, a **W.R. Berkley Corporation** subsidiary formed in May 2007, launched its primary casualty product. The division's first product was an excess form launched in October. The new primary casualty product offers premises/operations coverage, products and completed operations, E&O, and some other new features. It targets medical device companies, medical device software companies, drug and biological companies, dietary supplement companies, medical food companies, cosmetic drug companies, life science product development services organizations, for profit and nonprofit research institutions, life science product testing laboratories (non-clinical analysis), medical product distributors (non-retail/non-direct to consumer), drug discovery technology (genomics, bioinformatics, and proteomics), bioengineering, and health informatics (medical records decision support systems, etc.). *Continued on Next Page*

CHANGE IN LIFE SCIENCES INCREASES ACTIVITY...

Continued from Previous Page

The coverage is nonadmitted and written on Gemini paper in all states except Delaware and Rhode Island, where it is written on Nautilus paper. Limits go to \$15 million, with premiums and deductibles starting at \$5,000.

On Feb. 1, Medmarc introduced a revamped life sciences product that includes new coverage for medical expenses for clinical test subjects. The new policy incorporates many of the standard endorsements of the previous policy, offers a broader definition of insured, and does not exclude punitive damages. The new form is available in all states on nonadmitted **Noetic Specialty** paper, though Medmarc is currently filing it on admitted **Medmarc Casualty** paper in all states, as well. Recently Medmarc has achieved a little bit of pricing relief with layers above \$2 million with its reinsurance partners, with minimum premiums at those levels going down between 9 and 15 percent. Medmarc covers approved products and products subject to FDA controls for human clinical trials, and can write manufacturers and distributors of medical devices, biotech products and pharmaceuticals. Policies are written on an all-trials basis and feature a self-insured retention that typically starts at \$10,000 per occurrence along with a \$50,000 aggregate. Limits go to \$10 million, with premiums starting at \$10,000. Medmarc boasts an 11-year strategic alliance with **The Hartford**. Medmarc is also a facility for procuring clinical trials insurance in countries with local admitted requirements.

Markel Shand now offers indemnity-only deductibles and defense outside of the per claim and aggregate limits. The carrier can also now amend its coverage to pick up certain E&O exposures. Markel Shand saw positive growth in the number of life science policies last year but flat growth in premium. It has been affected by other carriers' switch to occurrence forms, although it sees its claims-made coverage as very price friendly for first-time buyers, of which there are always many in the arena of life sciences.

Last year Markel Shand increased its limits from \$5 million to \$10 million. Most of the carrier's accounts are small- or middle-market risks, though the carrier writes larger risks as well. It specializes in hard-to-place risks, including clinical trials and new technologies, and can cover biotech products, pharmaceuticals, nutraceuticals and herbal supplements. In August Markel Shand added a number of new features to its life sciences coverage, including a broadened definition of insured to include administrative acts coverage for medical directors. The company offers standalone claims-made professional liability, a claims-made professional liability and GL combo policy, and a standalone products liability form. Prior acts coverage and defense outside limits are also available. Coverage is nonadmitted and available in all states. Professional liability premiums start at \$3,500 for life sciences but average around \$30,000. The deductible is \$2,500.

Education Still Necessary

Darwin made its first foray into life sciences last March with a clinical research liability product aimed at health care organizations, clinical research organizations, site management organizations, independent research sites, academic institutions, and individual professionals engaged in clinical research and human subject-related professional activities. Although national retailers have specific life sciences practices, in general, agent and broker education about this segment continues to be a hurdle. As such, Darwin has written a white paper, available from its Web site, to help educate agents and brokers. The white paper provides some case law scenarios and explores the nuances of coverage and the types of organizations that need it.

Darwin can write all sizes of accounts. Premiums range from \$7,500 to several hundred thousand dollars. Coverage is offered worldwide and includes E&O and medical malpractice resulting from research-related activities, administrative and regulatory defense, billing-related proceedings, and crisis management (public relations consultation). Darwin offers standard primary limits of \$1 million/\$3 million, but limits can go as high as \$10 million. Coverage is nonadmitted and available in all states on Darwin Select Insurance Co. paper. Retentions can range from \$5,000 to \$2 million. Target markets include contract research organizations, independent research sites, site-management organizations, and institutional or independent review boards. Other eligible risks include community hospitals, managed-care organizations, physician practice management companies, private medical practitioners, various clinical research professionals, and various researchers or entities providing services in the areas of biomedical, behavioral, or veterinary research.

INSURERS FLOCK TO SPECIALTY LINES

In all likelihood domestic and off-shore insurers will intensify specialty lines in the U.S. awarding insureds slightly steeper premium reductions than in 2007. More rate deterioration will be the norm as specialty lines newcomers such as **Montpelier Underwriters Inc.** and **Beazley Insurance Co.** launch new programs in the states. **Odyssey Re's** two specialty operations – **Hudson Programs** and **Hudson Healthcare** – plan to stay in the ball game although the U.S.-based parent company notices the increased competition to retain renewal accounts. **Philadelphia** launches a cross sell initiative with its thriving commercial lines and sluggish specialty lines with the introduction of a business owners policy sold along with professional liability cover.

Montpelier Re pins big expectations that its new U.S. platform Montpelier Underwriters Inc. will drive in sufficient new premium as new E&S covers roll out under the direction of MUSIC Chief Executive Officer **Stan Kott**. MUSIC and two other new Montpelier platforms – Lloyd's of London Syndicate 5151 and **Montpelier Europa** in Switzerland – have cost the parent company \$12 million in 2007 start-up expenses. Those costs should eventually subside especially when premiums begin to roll into Montpelier Re's coffers. In late November, MUSIC unveiled a U.S. Direct Property Facultative Business division. There are now three MUSIC divisions all writing business on behalf of Montpelier Syndicate 5151. The other two divisions are Property Treaty and Brokered Property Facultative.

Beazley hopes for another calm catastrophe year like 2007 when the London-based company released \$66.4 million in specialty lines claims reserves because losses were down. For 2007, Beazley's combined ratio remained basically unchanged from 2006 at 88 percent with its claims ratio down to 50 percent. Last year, Beazley's U.S. operations generated \$175.2 million premiums written, more than two and a half times the \$68.9 million written in 2006. Last year, Beazley acquired **Sapphire Blue**, an MGA in Chicago that specializes writing professional and general liability insurance for long term care institutions.

Philadelphia begins cross-selling a business owners policy with miscellaneous professional liability as this national commercial and specialty lines carrier attempts to drive in profitable business in both sectors through 2008. The cross-sell concept had brought in \$2.6 million of specialty lines business during the last three months of 2007. If Philadelphia can continue to hold onto excellent retention rates of 96 percent for specialty and 94 percent for commercial lines, the carrier should either match or surpass full year 2007 gross written premium figures. Last year, specialty lines GWP rose 7.7 percent from 2006 to \$245 million while commercial lines GWP rose 18.7 percent from 2006 to \$1.3 billion. Over the past five years specialty lines at Philadelphia has grown 23.5 percent year-over-year. Miscellaneous professional liability is the carrier's fastest growing specialty product with premiums averaging \$3,500. The specialty segment also includes directors and officers liability with nonprofit services serving as the largest line of business in that segment.

A continuation of developing new specialty programs out of Hudson Programs will be a main part of the business agenda at Odyssey Re in 2008. Last year, the company's U.S. insurance business volume was up 3.5 percent even though Odyssey Re's gross premiums written for the full year were down 2.3 percent at \$2.28 billion. Overall, the company's 2007 combined ratio was 95.5 percent in comparison to 94.4 percent for 2006. Hudson Programs offers professional liability, umbrella, liquor liability, and architects and engineers liability in most states. Hudson offers property limits to \$10 million, liquor liability limits to \$1 million, umbrella liability limits to \$5 million, D&O limits to \$10 million and architects and engineers limits to \$5 million.

Customer Service

Tel: (800) 421-3483 Fax: (415) 475-1516
E-mail: market@crittendenonline.com

Editorial

Newsroom Tel: (415) 475-1522
Newsroom Fax: (415) 475-1576

Specialty Coverages Insider™ is published by Crittenden Research Inc., 45 Leveroni Court, Novato, CA 94949. POSTMASTER: Send address changes to *Specialty Coverages Insider*™, P.O. Box 1150, Novato, CA 94948-1150. Contents © copyright 2008 Crittenden Research Inc.

Subscription Rate: \$1,367 per year (also available via e-mail). Published 42 times a year. Not published Easter/Passover week, Memorial Day week, the two weeks before July 4th, the last two weeks of August, Thanksgiving week, two weeks before Christmas and New Years week. Single Issues: \$100. Single issues are only available to current subscribers.

Crittenden Research Inc., publishes *Specialty Coverages Insider*™, *Insurance Markets*™, *Medical Insurance News*™ and *Construction Insurance Report*™. For more information on our publications go to <http://www.crittendeninsurance.com>

Specialty Coverages Insider™ is protected by copyright. It is illegal under federal law to make copies or faxes of this newsletter without permission. Violators risk criminal penalties and \$100,000 in damages per offense. Please contact our customer service department at (800) 421-3483 for information regarding site licenses, to request reprints of articles or to inquire about permission to make copies.

Crittenden Research Inc., makes every effort to ensure the accuracy of the information published in *Specialty Coverages Insider*™. Crittenden uses only those sources it determines are accurate and reliable, but no guaranty or warranty with regard to the information is made or implied. Information in *Specialty Coverages Insider*™ is subject to change. Crittenden does not accept fees nor is it a business partner with any companies or firms mentioned in this publication. This newsletter is an editorial service. Crittenden does not sell insurance.