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Layout & Distribution: Valéria Kozakova

Supply, Demand and D&O Insurance in Europe

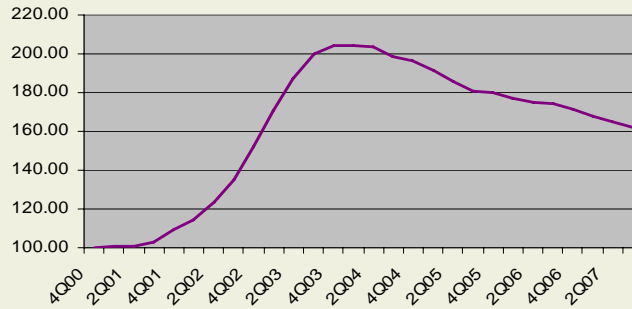
David Bradford

Agenda

- The insurance pricing cycle: a matter of supply and demand
- Impact of losses on D&O pricing
- What's ahead?

The D&O Pricing Cycle

ADVx™ D&O

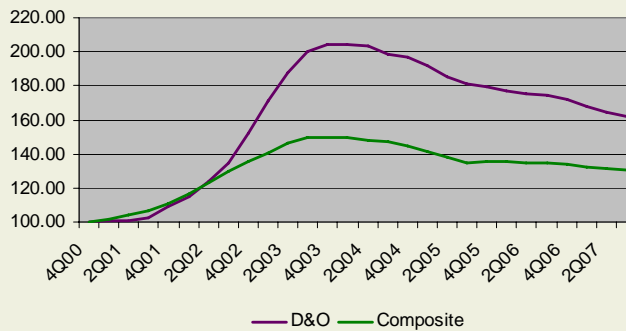


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The D&O Pricing Cycle

ADVx™ D&O v. Composite

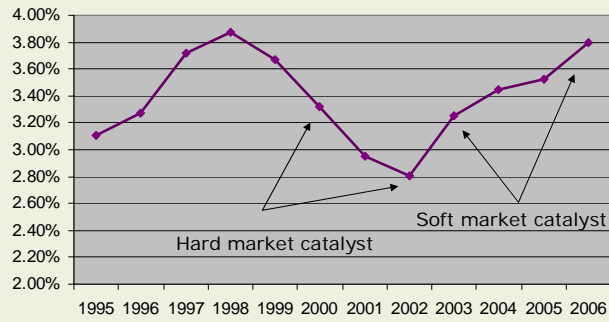


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The D&O Pricing Cycle

Policyholders' Surplus as % GDP

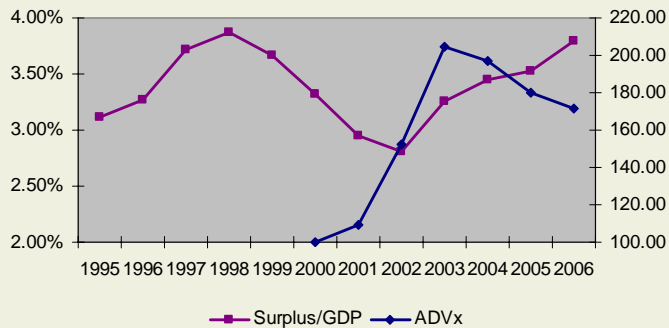


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The D&O Pricing Cycle

Policyholders' Surplus as % GDP
v. ADVx™ D&O

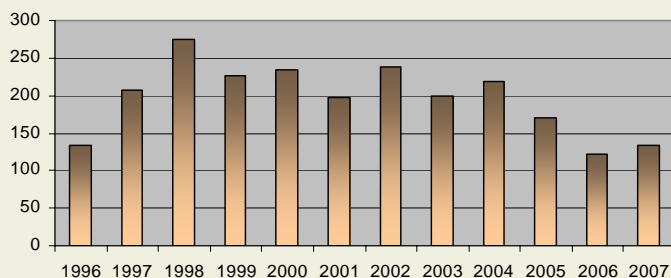


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Impact of Losses on D&O Pricing

SCAS Filed



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Impact of Losses on D&O Pricing

- Usually losses secondary to capacity in influence on pricing, however
- Comparatively low European D&O premium volume sensitive to very large losses
 - Large losses stimulate demand, but
 - Also may drive capacity (temporarily) from market
 - Volatility is likely

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Impact of Losses on D&O Pricing

- Potential drivers of losses
 - Activist shareholders
 - Corporate governance legislation
 - New securities laws and stronger regulation
 - New mechanisms for collective shareholder lawsuits

Impact of Losses on D&O Pricing

- US securities laws & legal system biggest threat to many European companies
 - European shareholders suing European companies in US courts

What's Ahead?

- Capacity will continue to grow
- Most probable: continued downward pressure on D&O rates
- Volatility potentially resulting from large losses
- No reversal in pricing trends likely before 2010