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PRESS RELEASE

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DIRECTORS & OFFICERS LIABILITY
2005 TILLINGHAST FACTS

Jan. 26, 2006-- Tillinghast's D&O Liability Insurance Premium Index Drops 9%; Falls for Second Straight Year

Half of all public and private companies have received directors and officers (D&O) liability insurance inquiries from their board members, according to the D&O Liability 2005 Survey on Claims and Insurance Purchasing Trends conducted by the Tillinghast business of Towers Perrin. These results, measured in this study for the first time ever, indicated that approximately 30% of nonprofit respondents have also received similar D&O inquiries from their board. In addition, 19% of public companies made changes as a result of inquiries versus just 5% of private and 2% of nonprofit respondents. Tillinghast's survey, which included 2,694 participants, is the 28th in a series of studies on D&O liability claims and insurance purchasing trends and the most in-depth study of its type.

The inclusion of directors and officers' personal assets in the Enron and WorldCom settlements accelerated the number of inquiries from boards. Board members now recognize their accountability and are questioning their own levels of coverage.

Tillinghast's D&O liability insurance average premium index dropped another 9% in 2005 after dropping 10% in 2004. The median premium index reached the lowest point since 2001, while the average premium index has decreased 18% from its high of 1,237 in 2003. However, claim susceptibility (the percentage of participants that reported one or more claims), frequency (the average number of claims per participant) and severity continue to rise, much as they did in 2004.

According to this year's survey, capacity leveled off in 2005, while coverage restrictions continued to ease. Consistent with last year, D&O insurance carriers provided approximately $1.5 billion in full limits capacity during 2005, while 99% of U.S. participants reported having D&O insurance. A number of carriers and brokers have stated that by the end of 2006, premium decreases are expected to flatten, and the amount of D&O coverage insurers write will start to decline.

Similar to 2004, competition remains fierce in excess layers for large public companies, where premiums for repeat participants* dropped 10% in the excess layer and 8% in the primary layer. For repeat participants, the increase in average total policy limits was 9%, while the increase in average primary limits and average excess limits for this group was 2% and 11%, respectively, between 2004 and 2005.

It has been stated, "not surprisingly, the largest increase in limits was in the excess layer, however, premium decreases of a similar magnitude were reported in both the primary and excess layers." Given the increase in excess limits and increasing claim severity, it seems counterintuitive that there is a decrease in the excess layer premium."

The most significant soft market conditions were observed in the government and other nonprofits business class, followed by merchandising, technology, and transportation & communication classes. Decreases are primarily driven by declining excess premiums, according to Tillinghast. Some pockets of hard market conditions remain, notably in durable goods, education, health services and non-banking financial services (e.g., insurance carriers and investment banking).

Among 2003 to 2005 repeat participants, claim frequency increased 30% from 2004 to 2005 and claim susceptibility increased six percentage points. The average claim payment decreased for four of the five claimant classes reviewed in the survey (employees, competitors, customers and clients and other third parties), but increased for the claimant class with the highest average severity (shareholders). The claimant distribution continues to be heavily dependent on the ownership structure of U.S. survey participants. For example, 52% of the claims against public participants were brought by shareholders. In contrast, 92% of the claims brought against nonprofit participants were brought by employees. Claims against private participants were spread primarily among shareholders, employees and other third parties.

More than half (56%) of claims against 2005 participants are still open, which is unchanged from last year's survey. The large majority of the U.S. closed claims were closed by settlement (66%), while the percentage of claims closed by litigation decreased from 20% in 2004 to 10% this year.

Other highlights of the survey include:

-- Low Susceptibility in Nonprofits -- Nonprofit and private companies show very low susceptibility and high claim frequency. This combination indicates that if a nonprofit or private company has claims, they tend to have many claims. The susceptibility (6%) reported by the nonprofit participants in 2005 is relatively unchanged from the susceptibility (5%) reported in the 2004 survey.

-- Deductibles/Retentions Remain Unchanged -- Only 29% of U.S. respondents with renewals since the second half of 2004 reported increases in their deductibles/retentions, according to the survey. Overall, 63% of U.S. participants reported no change in their deductibles/retentions, compared with 65% in 2004. The average policy limits for U.S. for-profit 2005 survey participants were $14.3 million compared to $13.6 million in 2004. In 2005, 25% of U.S. participants reported increased enhancements (up from 13% in 2004 and 5% in 2003) while 10% reported decreasing exclusions.

Reinsurance Implications:

The reinsurance D&O marketplace remained hard in 2005, which is expected generally to continue into 2006," according to various reinsurance experts. This is particularly true for the riskiest parts of the market, such as large cap public companies. Interest in smaller private and not-for-profit risks is much higher, and some relief for that segment may be forthcoming. Pricing for excess layers has decreased at a faster clip than the overall market, and it is expect that factor to have a negative impact on the layers typically assumed by reinsurers."

Participant Profile :

The 2,694 companies surveyed included 2,645 from the U.S. and 49 from Canada, in 15 business classes across all major industry groups. In the U.S., participants in technology, governmental and other nonprofit, and biotechnology and pharmaceuticals represented 64% of the U.S. respondents. The distribution of participants by assets and revenues remained consistent with the 2004 survey. More than 70% of the participants in both surveys reported assets less than $50 million. In 2005, 29% of U.S. participants are publicly-held organizations, 51% are privately held and 20% are nonprofit, which is consistent with the 2004 survey.

*Repeat Participants -- Of the 2,645 U.S. participants, 1,800 respondents (68%) also responded to the 2004 survey. Of the 1,800 participants, 1,053 respondents (40%) also participated in our 2003 survey. We did not include Canadian participants as repeat participants due to the small number of Canadian participants. In general, the repeat participants are slightly smaller by revenue and asset size than the 2005 new participants. The large percentage of repeat participants allows us to closely examine trends and claims for a consistent group of organizations.

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