

BLAIS EXCESS & SURPLUS
AGENCY OF TEXAS, LTD.



PRESS RELEASE

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D&O MARKET UPDATE

Highlighted below are a few comments relating to the state of the D&O market that Philip L. Blais provided a group of senior executives during a recent industry seminar.

1. I feel that today many questions are being raised in regard to the D&O market such as:
 - ⇒ Is anyone really looking at this business and what is going on?
 - ⇒ Are the D&O carriers truly reserving their book of business properly to anywhere near the ultimate losses that are going to be sustained?
 - ⇒ Are the current rates adequate or correctly priced or has the industry been fooled or fooling itself?
2. We are seeing companies (private, non profit and public) exposed to increased corporate governance standards and demands. This pressure is providing D&O underwriters a “cleaner” look and understanding of the exposures they are insuring. While pricing has become relaxed many compare the current situation to that of a storm such as Katrina and note we are in the “eye of the storm”. When you hear people such as Melvyn I. Weiss (Senior & Founding Partner of Milberg Weiss Bershad & Schulman LLP) who represent the plaintiffs talk of their inventory of claims the credibility bar of “eye of the storm” syndrome is raised.
3. We have a number of new carriers who have entered the D&O market and do not have the legacy issues of others. This fact has been highlighted by many as one of the leading reasons we have a relaxed pricing environment as these new carriers strive for market share. What is not being highlighted though is the fact that we do not have a number of new reinsurance facilities supporting this capacity (old or new). If in fact the “eye of the storm” syndrome is correct, once it passes reinsurance facilities will sustain greater damage then the underwriters and will impose a whole new set of enhanced underwriting and pricing requirements. This movement will result in a tighter market and one that will demand pricing levels never seen in this industry to date.

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