

# D&O LIABILITY COVERAGE

For Public Companies

## D&O Liability Insurance is a Critical Coverage for Publicly Traded Companies

D&O liability insurance coverage for public companies have undergone drastic changes recently. Insurance carriers are raising premiums and tightening coverage in response to the flood of lawsuits, losses from the overall decline of the stock market, the tragedy of 9/11 and corporate scandals. The continued volatility of the stock market could lead to an increase in claims against executives. The result is increased rates and more exclusions for D&O liability insurance policies.

This makes it harder for you to secure appropriate D&O liability insurance coverage — not only at the right price — but also a D&O coverage that offers security both to your business assets and also your personal assets which are at risk. That's why you need someone that specializes in insuring public companies and has access to the whole D&O insurance market.

## Extended D&O Liability Insurance Coverage

With over 100 years of experience, InsurePro - a division of Gaston & Associates, has access to the whole D&O liability insurance market including surplus lines and London syndicates. This means that we can often negotiate a D&O liability insurance policy that offers extended coverage at a very competitive price.

The driving goals of InsurePro's marketing effort are to secure quotations that are more cost competitive, and to evaluate the structure of any existing Directors and Officers (D&O) coverage.

## Factors that Impact D&O Liability Insurance Underwriting

A wide variety of factors impact Public D&O underwriting including:

- Size and industry.
- Financial characteristics
- Corporate practices
- Board of directors

## Increased D&O Liability Exposures

The market for D&O liability insurance is continuously evolving. This evolution is directly related to the insurance and business communities' heightened awareness of exposure to D&O and Employment Practices Liability related claims.

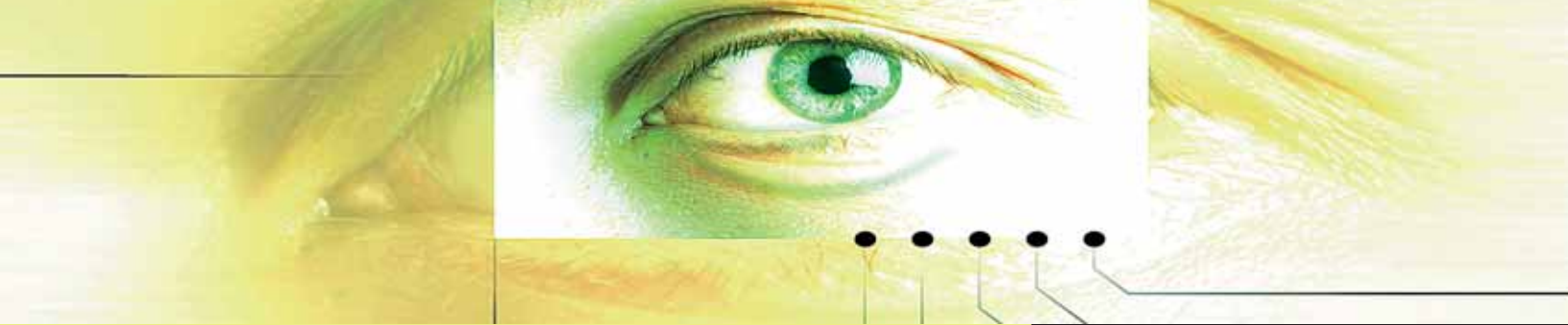
## Increase in D&O Claims

- Approximately 50% of all D&O liability insurance claims are tied to Employment Practices Liability claims. Employees that were once silent about workplace harassment and discrimination are now speaking out and taking action against their employers.
- Plant closings, layoffs, and mergers and acquisitions are commonplace events that are providing fertile ground for multi-million dollar class action claims.
- The case of Enron in late 2001, coupled with an already large downturn in the economy, has further affected the pricing for D&O liability insurance.

Over the past twelve to eighteen months, underwriters have become increasingly vocal regarding their inability to maintain profitability given current pricing levels. D&O liability insurance underwriters are reporting increased claims activity. Greater claim activity, the overall deterioration in market conditions as a result of lost investment income, and the World Trade Center catastrophe have combined to create a climate that translates to reductions in available coverage and higher premiums for D&O.

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## Market Hardening for D&O Liability

There are several factors influencing the pricing:

- The insurance market has hardened in the last couple of years. We are frequently encountering higher D&O liability insurance pricing across the board on renewals, and this is especially true with respect to Public Companies.
- Many insurance companies have withdrawn from the D&O liability insurance market and are declining to provide D&O coverage, at least temporarily. This makes it even more challenging to secure quotations and coverage as the lack of availability of carriers adversely affects D&O pricing.

## EPL Might Erode the D&O Coverage

It is now more common to write EPL on the same policy as the D&O liability insurance. While this practice might offer some savings in the short term, one should consider that the EPL exposure for the entity might be quite significant and a large claim can quickly erode the D&O coverage that is available.

InsurePro generally recommends having the EPL as a separate insurance policy, but factors specific to your industry or your business might influence whether or not having the EPL on the same policy as the D&O makes sense.

## Providing Insurance Since 1895

InsurePro is a division of Gaston & Associates, Inc., a NY based insurance agency tracing its roots through 4 generations of family, and incorporated in 1895. InsurePro's marketing territory is national in scope, and we hold property-casualty and life-health licenses in all U.S. states & DC — except Alaska, Hawaii, Iowa, North Dakota, Oklahoma, and West Virginia.

Our customers range from start-ups to public companies. We serve about four thousand clients nationally and throughout the world. We specialize in providing personal and commercial lines of property and casualty insurance, group health coverage, and individual life insurance.

InsurePro has become a world leader in all forms of professional liability insurance products for medium to large private and public companies by proactively anticipating changing client needs in order to offer the most up-to-date solution.

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