

NEWS LETTER

n.p. james insurance agency



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F.A.Q. #1. I have been operating profitably with no losses for 5 years and my insurer is non-renewing? Why? And more importantly, what can I do about it?

A: Maurice "Hank" Greenberg, CEO of AIG the largest insurer in the world, stated: "Market share in the risk business is a bad idea!" Also known as "drive-by" underwriting, it has come back to bite insurers.

So insurers are taking the fastest way back to a conservative, solvent posture by slashing risks from the books. Any perceived exposure is a target, especially when insurers are unable to "lay off" risk to a dwindling pool of reinsurers.

What to do? The insurance industry needs opportunists right now. Back office marketing goals still need to be met; new business booked. There are insurers out there looking for quality business at reasonable prices. A risk management specialist in the industry keeps pace with "hungry" markets.

F.A.Q. #2 What should I do about Directors & Officers coverage?

A: Volumes have been written in every professional journal

about the details of the hardening D&O market. In my opinion, Sarbanes-Oxley has raised the bar for all operating entities. Inevitably, higher expectations have now been set for private and even non-profit organizations. A higher level of management oversight will be expected from everyone. The Sarbanes-Oxley dust needs to settle before we will have a better idea of constituent expectations and our exposures. In the meantime, fasten your seatbelts.

What to do? You need to undertake a total corporate strategy. With D&O costs increasing exponentially, front-line non-insurance risk solutions must be considered. A braced, defensive posture is necessary until the market relaxes.

F.A.Q. #3 Insurer insolvencies are being blamed for my limited

insurance choices. What is this all about?

A: These times are like a 3-legged stool with all 3 legs broken. The bottom of a 10-year soft insurance market cycle, a falling stock market, and 9/11 have all hit the insurance industry with crippling losses. 40% of our reinsurers are gone; capacity is severely limited.

In the technology sector, several markets, one of them being Kemper, have gone under. Remaining technology carriers just do not have the capacity to absorb all of those risks given the greatly diminished reinsurance capacity.

Recent earnings reports from some major insurers indicate a return to profitability, at least in the short-term. This severe reaction in the last 2 years will end; when is a prediction I cannot make now.

**We offer over 20 years experience in
risk management and the technology insurance
marketplace. Call us to help.**

We will be honored to serve you.

Hard Times F.A.Q.'s Issue

Technology Insurance and Risk Specialists

This issue examines the questions on every CFO's mind

FAQ #1: Why, if I have been operating profitably with no losses for 5 years, is my insurer non-renewing?

FAQ #2: What about Directors & Officers coverage costs?

FAQ #3: What is causing insurer insolvencies?

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