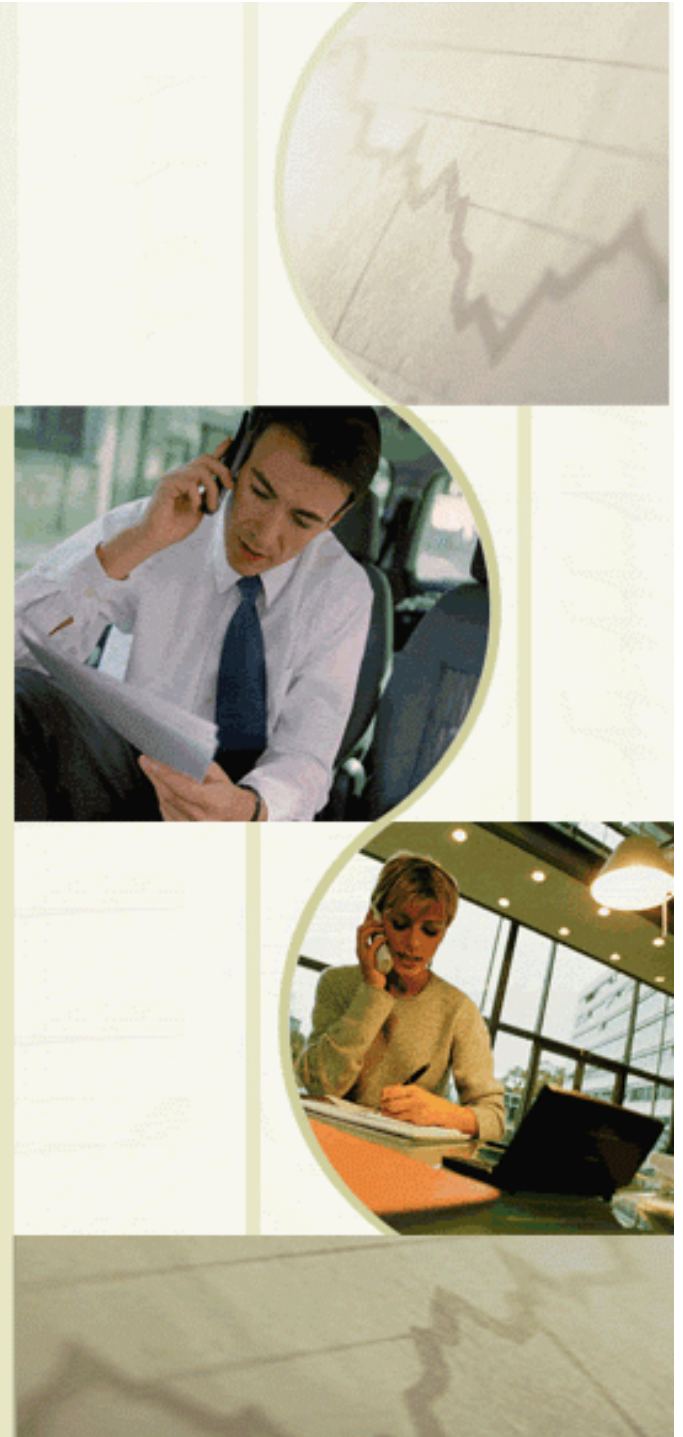


ADVISEN **Insight** for Insurance Professionals

Update on the Credit Crisis and Related Issues for D&O Insurers

Dave Bradford, EVP

May 4, 2009

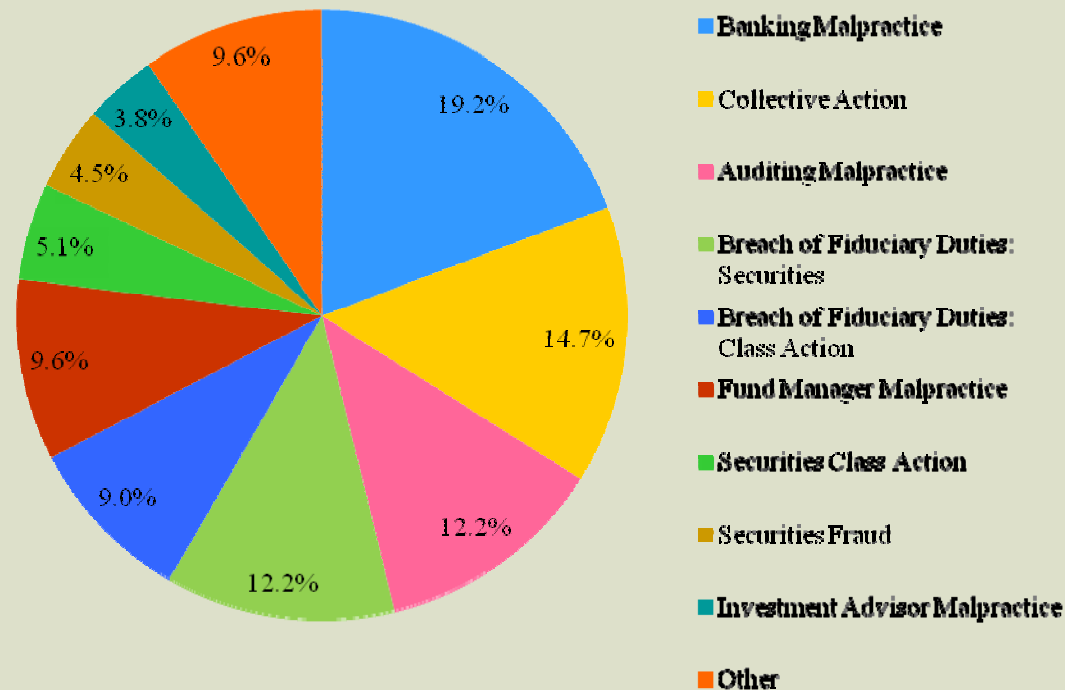


Developing Issues in D&O (and E&O)

- **2009: Year of the Ponzi Scheme**
 - Madoff and others
 - Exposed by rising redemptions in bad economy
- **Bankruptcies and Securities Suits**
 - Bankruptcy filings and securities suits correlated
 - Sharply higher bankruptcies predicted for 2009
 - Subprime crisis not just a FI D&O event anymore
- **Hard market on the horizon**
 - FI D&O already sharply higher
 - Commercial D&O still soft, but gradual hardening likely “soon”

Madoff Litigation

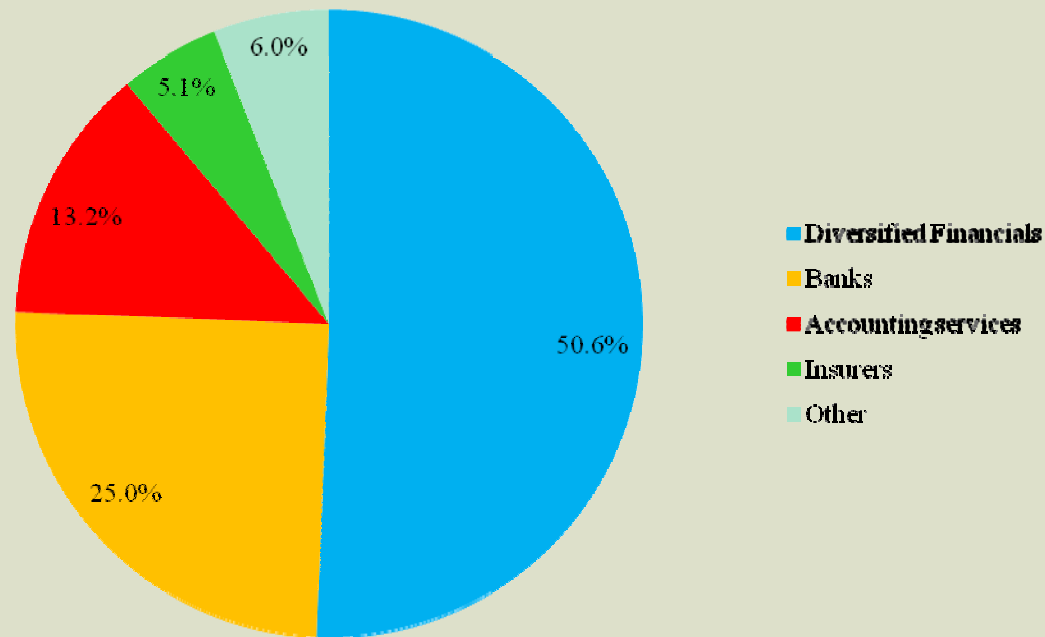
Distribution of Madoff Suits by Type



Sources: Advisen MSCAd

Madoff Litigation

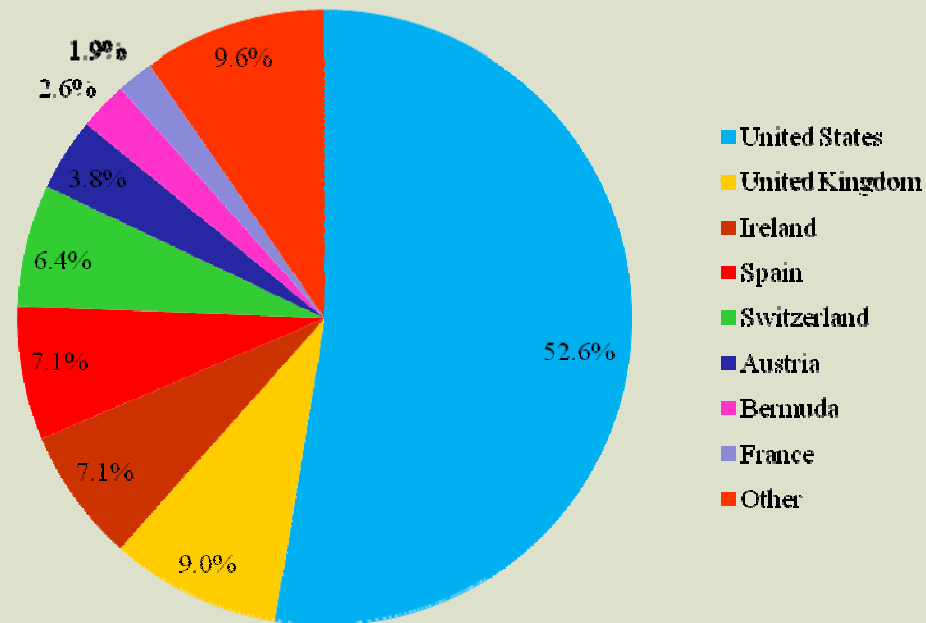
Distribution of Madoff Suits by Sector



Sources: Advisen MSCAd

Madoff Litigation

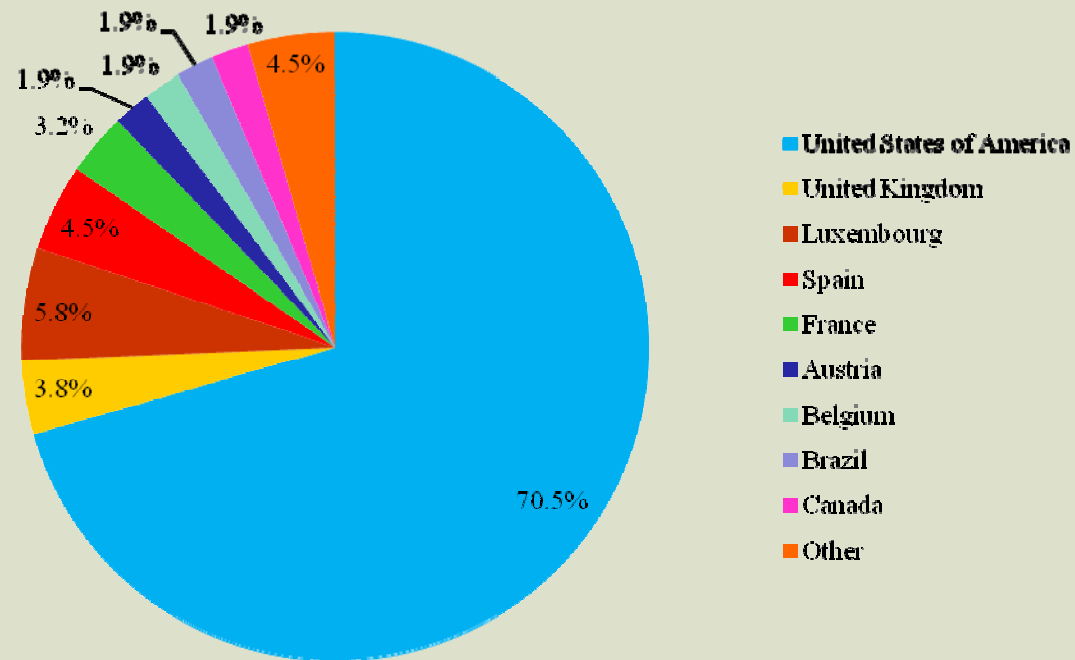
Distribution of Madoff Suits by Defendant Location



Sources: Advisen MSCAd

Madoff Litigation

Distribution of Madoff Suits by Jurisdiction

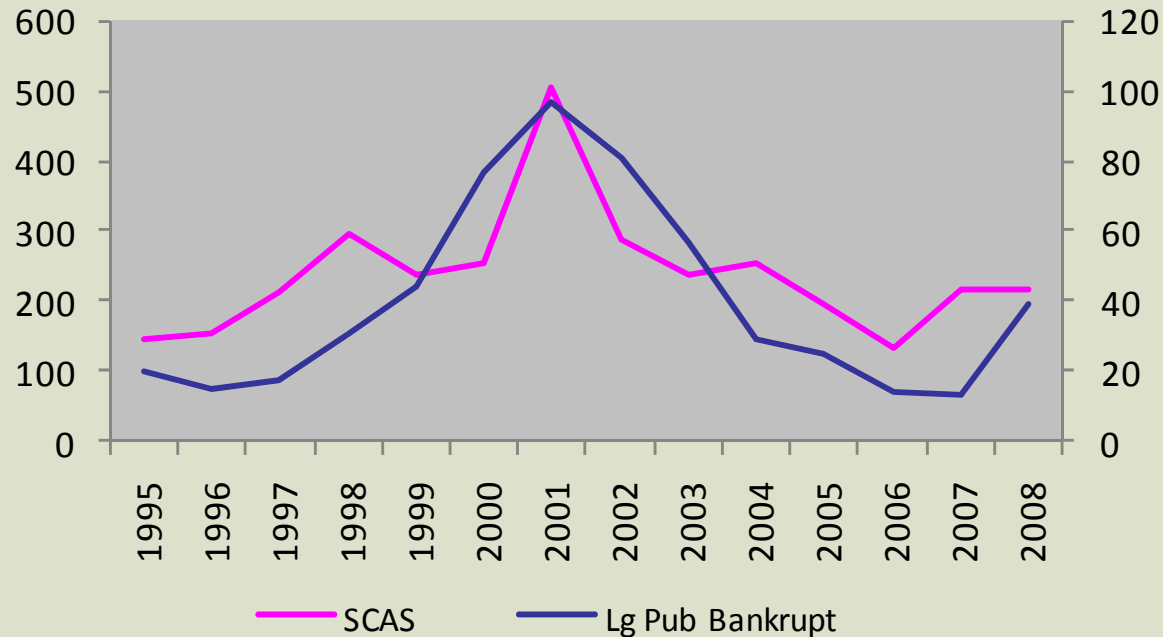


Sources: Advisen MSCAd

What's Ahead?

Bankruptcies & SCAS

Large Public Company Bankruptcy Filings
All Securities Class Action Suits



Sources: Web BRD, Advisen MSCAd

What's Ahead?

Bankruptcies & SCAS

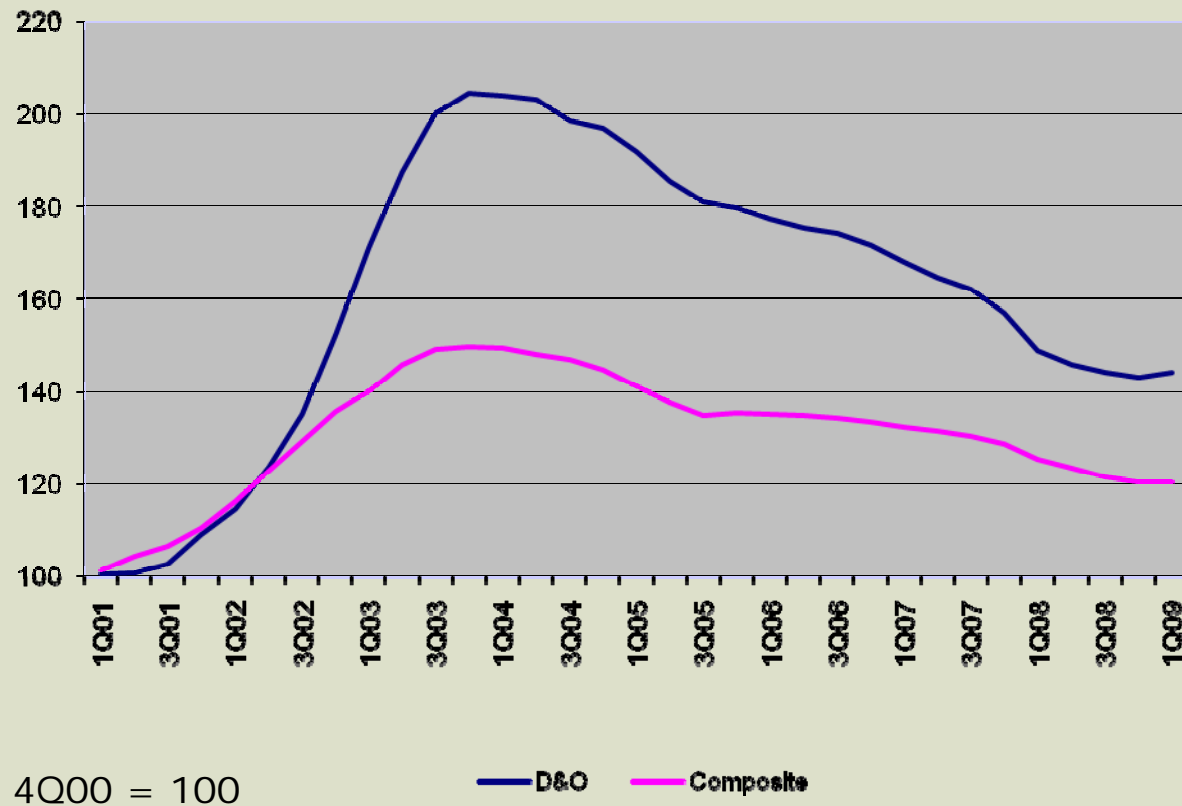
Large Public Company Bankruptcy Filings
Large Public Company SCAS



Sources: Web BRD, Advisen MSCAd

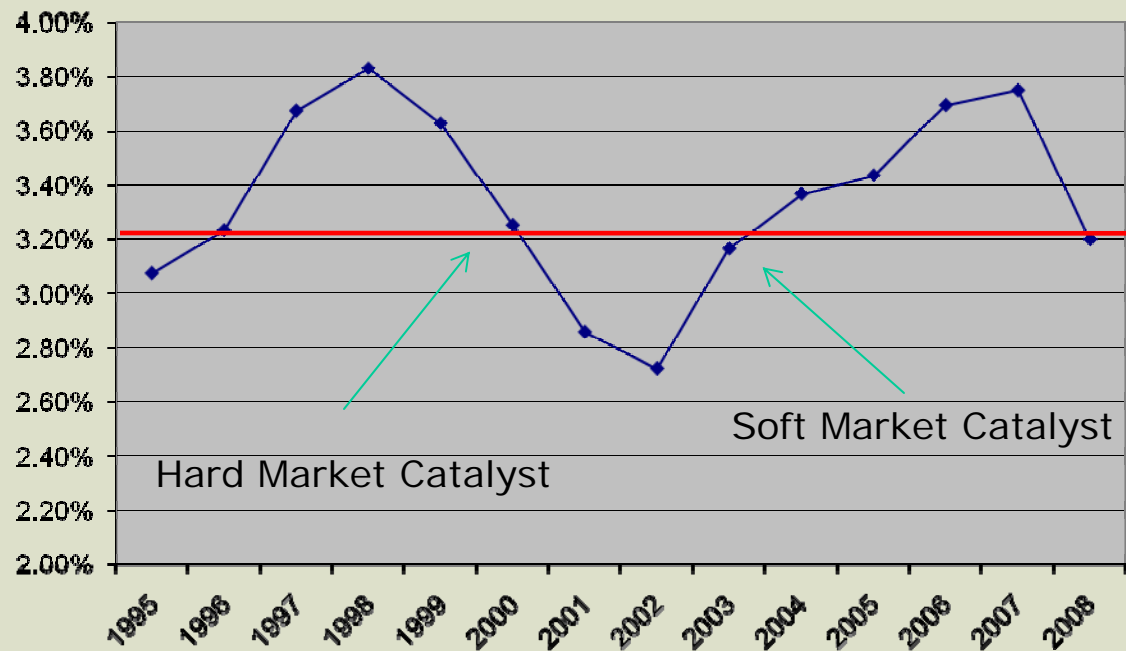
Pricing Cycle

Advisen ADVx D&O & Composite



Pricing Cycle

Supply and Demand:
U.S. Surplus as % GDP



Sources: BEA, III

Pricing Trends

- **Bifurcated market**
 - Commercial D&O -3%
 - FI D&O +37%
- **D&O continues to attract new capacity**
- **Hard market on the horizon**
 - “A rising tide lifts all ships”
 - Commercial D&O rates flat to slightly higher by 4Q09/1Q10
 - Gradual increases
 - “Invisible hard market:” falling demand offsets higher premiums