



**2009 Insurance Economic Summit:
Navigating the New Business Landscape**

FOLEY FOLEY & LARDNER LLP **ADVISEN** Productivity & Insight for Insurance Professionals **RAYMOND JAMES** **SMART.**




**2009 Insurance Economic Summit:
Navigating the New Business Landscape**

**Claims Exposure from the
Economic Crisis**

Moderator
Ethan Lenz, Foley & Lardner LLP

Panelists:
Dave Bradford, Advisen Ltd.
Dan Kugler, Snap-on Incorporated
Dan Fortin, CNA Specialty Lines



**2009 Insurance Economic Summit:
Navigating the New Business Landscape**

“May You Live in Interesting Times”

– Ancient Chinese Proverb/Curse

(or recent invention of Western Society,
depending on your source)

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Claims Exposure From the Economic Crisis

David Bradford
Advisen Ltd.

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2008 Subprime/ Credit Crisis Suits

By Type of Suit

Suit Type	Percentage
Derivative Shareholder Action	37.7%
Securities Class Action	22.7%
Securities Fraud	8.9%
Rating Agency Malpractice	7.1%
Auditing Malpractice	5.1%
Fraudulent Trade Practices	3.6%
Underwriting Malpractice	3.0%
ERISA Class Action	2.6%
Breach of Contract	1.5%
All Other	1.1%

Source: Advisen MSCAd

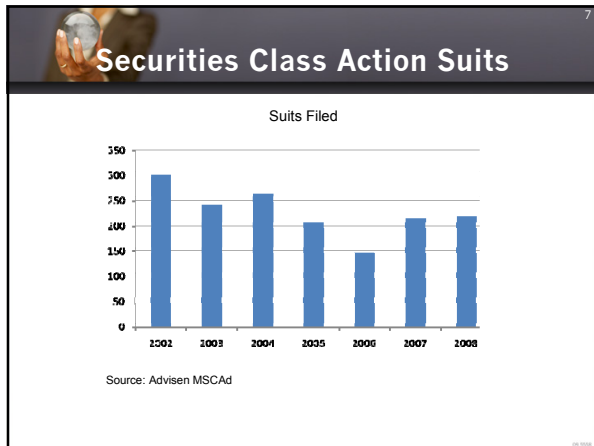
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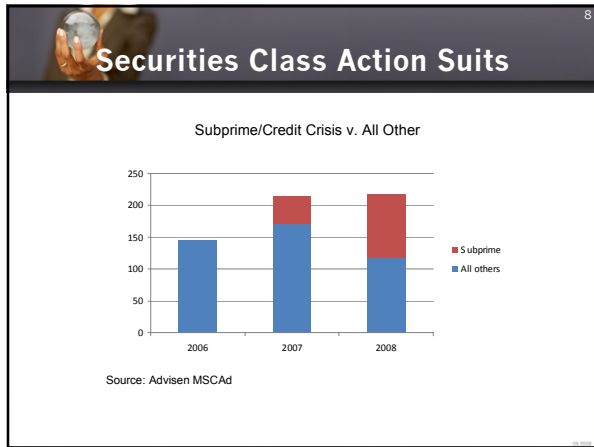
2008 Subprime/ Credit Crisis Suits

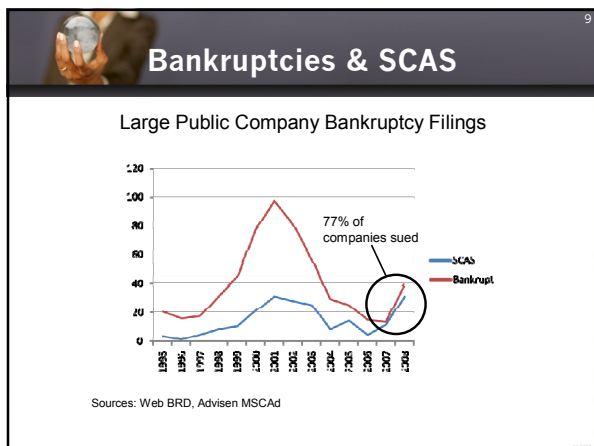
By Industry

Industry	Percentage
Banking, Finance, Insurance	50.0%
Commercial Services & Supplies	17.4%
Energy	4.3%
Media	2.8%
Retail	2.4%
Healthcare	2.4%
Life Sciences (incl Pharma and Biotech)	2.1%
Real Estate	2.1%
IT	1.1%
All other	1.1%


Source: Advisen MSCAd







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Bankruptcies & SCAS


Commercial Bankruptcies

- 2008 (est): 41,200
- 2009 (forecast): 62,000
- (Source: Euler Hermes)

“By various estimates, U.S. companies are poised to default on \$450 billion to \$500 billion of corporate bonds and bank loans over the next two years.”

(Wall Street Journal, Feb. 13, 2009)


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Other Sources of Claims

- Fraud across almost all lines of insurance
 - Especially property
- Workers Comp
 - Increased frequency
 - Longer duration
- EPLI
 - Layoffs resulting in discrimination claims

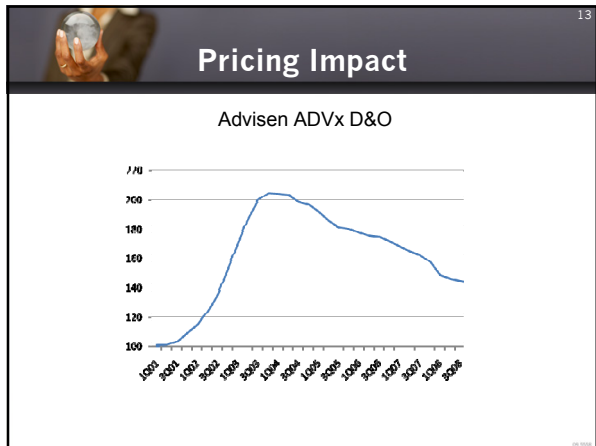
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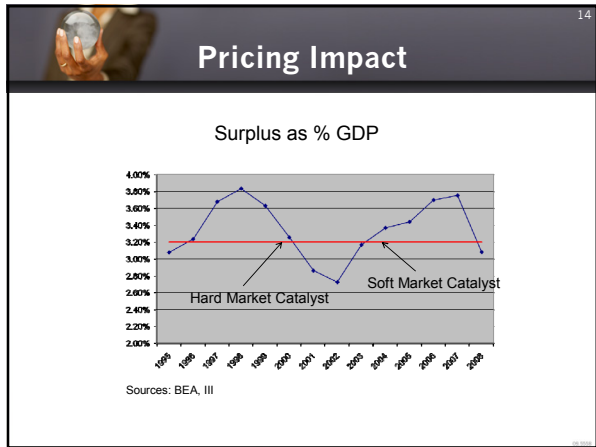


Pricing Impact

What Drives Pricing?

- Claims?
- Perceived exposure?
- Regulation and enforcement?
- Business and economic environment?
- Capacity?






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The Underwriter's Perspective

Dan Fortin
CNA Specialty Lines

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The Underwriter's Perspective

- Losses not contemplated in pricing
- Spread of losses beyond financial sector
- Systemic Events/Unanticipated Correlation
- Unanticipated effects of capital markets on insurer capital and ratings
- Unfavorable developments in legal environment


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The Risk Manager's Perspective

Dan Kugler
Snap-on Incorporated

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The Underwriter's Perspective

- Nowhere to run to, nowhere to hide
 - Re-evaluation of all carrier relationship
 - Pricing
 - Ratings

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Where Do We Go From Here?

- Next Claims Shoe to Drop?
- Return to the Hard Market?
