SPECIAL CARE FOR SPECIAL PROPERTIES

For years, Landers Underwriting has been offering agents access to Chubb's Masterpiece Homeowners program. Over time, we've been noticing some changes in what it takes to get high-value homes placed in this preferred market. Frankly, like most high-end markets, Chubb has gotten more exacting in terms of the protections that they want to see on homes valued in the millions of dollars. If your client has a 10,000 square foot home worth $3,000,000, a $99 ADT central station alarm system is not going to cut it anymore.

To write these types of properties and reap the hefty rewards that go hand in hand with them, it is important that agents approach the situation much as they would a commercial property. Think active risk management. Just as you might suggest that a 10,000 square foot warehouse in a Protection Class 8 install sprinklers, talk to your client about ideas like dry hydrants and wireless phone back ups for their alarms. A 2 minute difference between an automatic call to the local fire department and a neighbor seeing smoke can make the difference between a partial and total loss. When you're playing with that much money under one roof, this can make or break the placement of a risk.

High-value clients can often present unique risk-management challenges, requiring closer scrutiny than meets the eye. For example, a front gate to the driveway is not at all an uncommon luxury for these types of properties. They are intended to provide security, privacy and perhaps a certain amount of ego-expansion. But that same gate can become the homeowner's worst nightmare when a fire truck idles outside of it for 10 minutes waiting for someone to open it. Houses have burned to the ground while trucks sat outside of locked gates. This problem can be avoided by installing an electronic release mechanism that ties into the alarm system.

These are the kinds of problems and solutions that have to be tackled for high-value homes. Sometimes we may even need a satisfactory attack plan from the local fire department before binding coverage. The bottom line is that the bigger league has to play by tougher rules. Agents who come to Landers Underwriting for help in placing coverage for high-value homes get more than just access to the premier market for these risks. They also get the benefit of our experience in how to make these risks acceptable and desirable to underwriters.

LANDERS Underwriting

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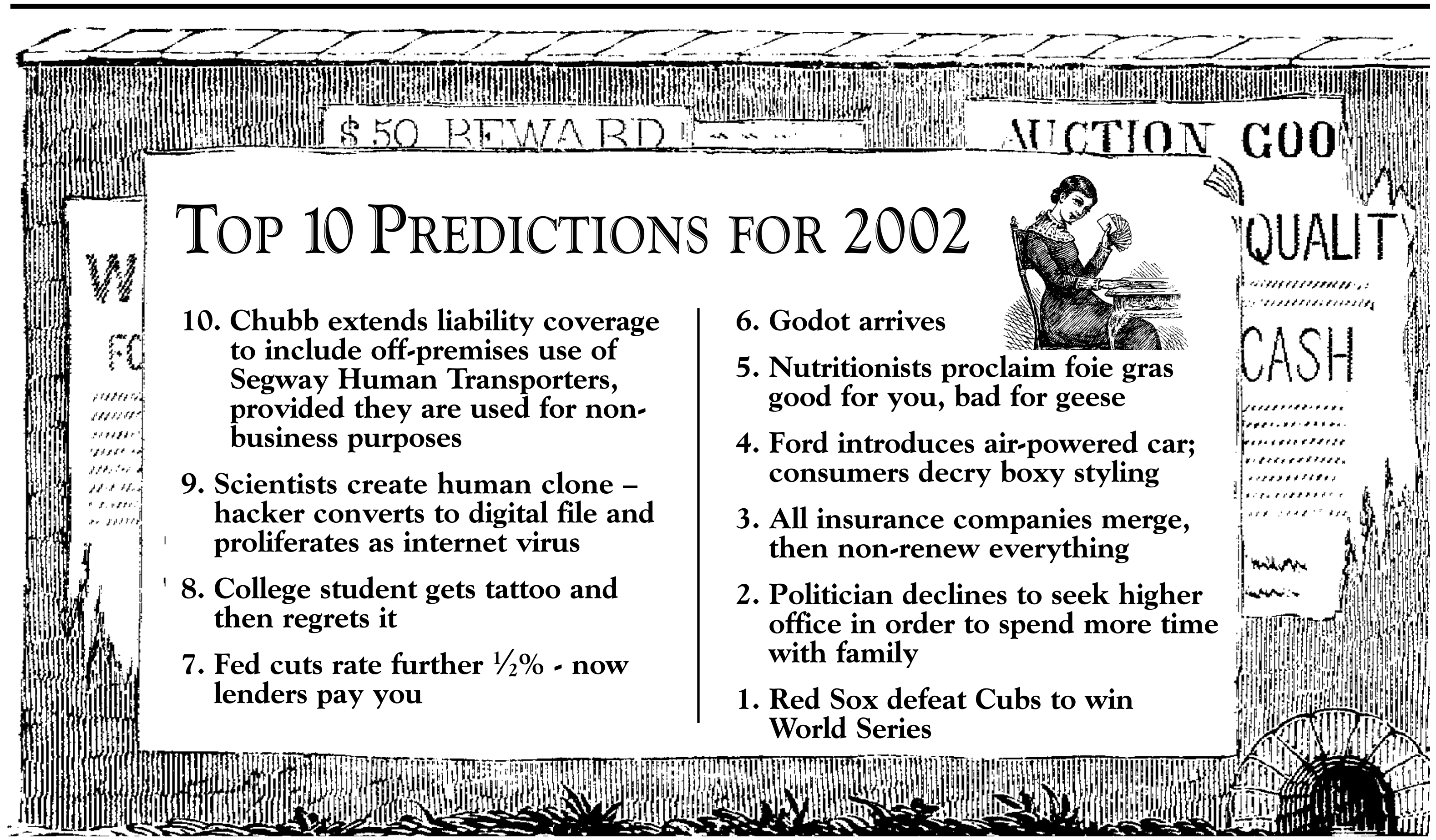
INSIDE:



Top 10 Predictions for 2002

10. Chubb extends liability coverage to include off-premises use of Segway Human Transporters, provided they are used for non-business purposes
9. Scientists create human clone – hacker converts to digital file and proliferates as internet virus
8. College student gets tattoo and then regrets it
7. Fed cuts rate further ½% - now lenders pay you
6. Godot arrives
5. Nutritionists proclaim foie gras good for you, bad for geese
4. Ford introduces air-powered car; consumers decry boxy styling
3. All insurance companies merge, then non-renew everything
2. Politician declines to seek higher office in order to spend more time with family
1. Red Sox defeat Cubs to win World Series

Letter From Landers

We had our first snowstorm of the year in Charlottesville yesterday. It wasn't much, maybe two or three inches. The problem was, it came quick and during the morning commute. No plows. No sand. No salt. Roads iced up and traffic came to a standstill. My normal twenty minute breezy trip to work turned into a two-and-a-half hour marathon, most of which involved sitting in traffic, immobile. I found myself hunching forward in my seat, gripping the steering wheel tightly, heart beating faster… I had to make a conscious effort to relax, breathe deeply, enjoy the music on the radio. Tension wouldn't get me to work any sooner. Then, I could be grateful that I don't have to fight traffic and deal with the pressures of commuting hassles on a daily basis. Life is good.

It was about a year ago when we began our efforts to reduce reliance on paper files. Faxes were sent and received electronically. Email became the preferred medium of communication. I'm happy to report that it's largely been a successful transition. Oh, every once in a while, somebody's email will bounce. But, we have at least as many problems with undeliverable mail through the postal service. We're implementing another phase of back-office technological improvements involving database management and processing simplification, all with the goal of freeing up more people time for us to help clients solve insurance problems.

Although our area code changed to 434 last June, we're only just getting to the time when they really mean it. During the phase-in period, calls and faxes would get through with either the old 804 code or the new 434 one. No more. You've got to use 434. So, if you have our number in your speed-dial, please be sure to change it.

One of the side-effects of the current insurance market environment seems to be agency cancellations by companies. We've heard from some producers recently who no longer have access to Chubb because either the agency or some other wholesale broker has ended their relationship with Chubb. In those instances, we've been able to handle that otherwise good business, so that the clients can continue their coverage without interruption. If you find yourself in that position, give us a call.

Press. Press. Pull.

Even agents who just dabble in placing Media Liability coverage will testify as to the tightening underwriting standards and premium increases that this class of business has experienced over the past year or so. Newspaper, magazine and book publishers, radio and television outlets, film and video producers – they're all feeling the pinch. Although the general hardening of the insurance market is making its impact here, there's more to the story.

Let's start with Tasini v. The New York Times. Last summer, the U. S. Supreme Court found that publishers were not permitted to sell or re-use the work of freelance writers in electronic media formats, unless they had specific permission from the freelancers to do so. In a more recent case, courts upheld a photographer's rights to photos that were being newly released in a CD-ROM format. In short, this means that more content providers will be suing media outlets for improper use of their work. It also means that media underwriters are going to look very carefully at contractual agreements between publishers and freelancers.

More generally, it seems that the population does not place much trust in the media, which translates to particularly high jury awards for plaintiffs. Although such verdicts are often overturned on appeal, that doesn't mitigate the defense costs that an insurer is liable for.

What is a relatively small and esoteric specialty for insurers got even smaller two years ago, when Employers Reinsurance Corp., a major writer of Media Liability, withdrew from the market. Reduced competition seems to have contributed to increased pricing.

Landers Underwriting maintains relationships with leading underwriters of Media Liability and can provide assistance to agents in placing this coverage for risks ranging from local weekly newspapers to international cable broadcasters.

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DON'T KNOW MUCH ABOUT (LOSS) HISTORY...

Hard market, soft market, there are some aspects of insurance where it just doesn't matter what the industry environment is like. Loss histories on applications, for instance.

We haven't seen an application form yet that doesn't ask for a loss history, generally for the past five years. Yet, we see entirely too many submissions with that item left blank. We can't, we won't, provide insurance without an answer to this question. If there have been no losses, say so. Write "none" or check the appropriate box on the application. If there have been losses, tell us about them. Date? What happened, in ten words or less? What amount has been paid? What is the reserve? Is the claim open or closed? That's it.

We were working on a risk of some size, last year. After our third request for a full, five year loss history, we got a call from the agent. A smart guy. Well-experienced. Knows his stuff. Guess what he said? "I don't know why you're making such a big deal about this – none of our other markets are."

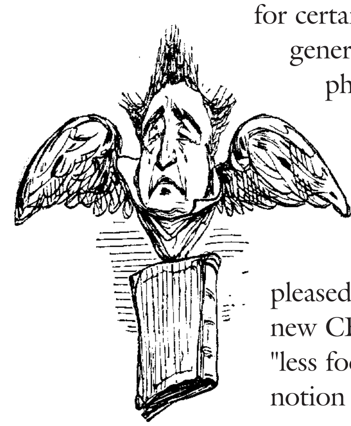
Then, just last week, in response to our question about a blank loss history question on a property application, we heard, "none, except for the $6,700 lightning loss last spring". Is that the $6,700 lightning loss that somebody forgot to tell us about?

Forgive our bitter tone. We know, it's unpleasant and we feel less than comfortable belly-aching like this. We're really grateful for your business. We want to see your applications and provide insurance for your clients. The thing is, we're under particular time pressure to respond to the many submissions that the current market conditions are promoting and it's just difficult to have to go back and extract information that should have been provided, in the first place. We feel bad if our resources are directed towards incomplete submissions at the expense of clients who have presented full details the first time around.

Upon consideration, maybe the difference between a hard market and a soft market, is that, in a soft market, we have time to come back asking for missing information, but in a hard market, we need to have the discipline to just move on to the next project. Sigh.

Doctors Bury Their Mistakes...

...INSURERS PROVIDE EXTENDED DISCOVERY COVERAGE



We saw the preface last summer, when St. Paul started non-renewing medical malpractice insurance for certain physician specialties – OB/GYNs, general surgeons and emergency room physicians. It wasn't until December that the other shoe dropped. St. Paul announced their withdrawal from all medical malpractice business. St. Paul agents who have to deliver news of non-renewal to their clients will be pleased to know that, according to St. Paul's new CEO, Jay S. Fishman, the company will be "less focused on relationship building with the notion that we'll make it up in the future."

Many of these risks will probably find their way to the leading writer of medical malpractice, Medical Liability Mutual Insurance Company (St. Paul was number two). But, we suspect that there will be some medical professionals that will have difficulty in securing replacement coverage. Doctors with adverse loss histories. Difficult specialties. Risks that were probably hanging on by a thread with St. Paul, even before their exit.

That's where Landers Underwriting comes into the picture. We can offer medical malpractice liability for a variety of risks, ranging from individual physicians to outpatient clinics, organ banks, medical staffing companies and diagnostic imaging labs. We've got very specific applications available at landersunderwriting.com and welcome your inquiries and submissions.

Who's Suing Who?

Producers tell us that there's nothing like examples of claims to sell a potential client on coverage that they don't already carry. To that end, we offer several situations in which privately-held companies would find Directors & Officers Liability and Employment Practices Liability Insurance to be a welcome addition to their portfolio of policies.

By Employees:
Two weeks after being hired away from a competitor, a new employee was fired by the company president, who decided that he had made a mistake in hiring this individual. The fired employee filed suit, alleging that the president had made statements misrepresenting the position. It took the jury less than 3 hours to find in favor of the employee and award $300,000. Of particular note, is the fact that the jury also found the company president personally liable for his own acts, whether or not committed when acting for the corporation.

By Shareholders:

The CEO and founder of a closely held corporation gave annual bonuses to each of two senior managers in the form of stock shares. The individuals each accumulated 10% in holdings prior to the death of the CEO. The former CEO's interests in the firm were inherited by his spouse, who assumed the position of CEO at the death of her husband. Relationships deteriorated and the two managers resigned. The firm lost a major customer and suffered reversals. Suits were filed by the two shareholders for mismanagement which resulted in the devaluation of their stock.

By Lenders:
The president of a privately owned company began "borrowing" money from the firm to cover personal losses. The president was successful in covering up the transactions for almost a year, until the firm was finally forced to declare bankruptcy. A bank which had just renewed a large outstanding note sued the individual directors, alleging breach of duty of care and misrepresentation of financial information.

Now, get out there and sell it!