

STOCK No 2: INADEQUATE INSURANCE

IN THE MOMENTS WHEN insurance regulators aren't dealing with problems associated with market services agreements, one of the topics that keeps coming up relates to insuring homes to full replacement value. About 25 years ago, in a highly competitive insurance environment, personal lines carriers decided to offer "guaranteed replacement cost" to their homeowners customers. The limit chosen for a home would no longer be a cap to recovery in a total loss. Whatever it cost to rebuild the home, without limitation, is what the insurer would pay. The only significance of the limit was for use in calculating the premium.

A GREAT SALES TOOL FOR AGENTS, but a poor financial decision by insurance companies. Why? Because all of the incentive for insuring to value was removed. Agents became lax in estimating costs to rebuild. Customers found financial incentive to low-ball values. And companies failed to invest up-front in inspections of property that would enable them to maintain discipline in requiring adequate limits.

THE CHICKENS CAME HOME TO ROOST when many of the big hurricane and wildfire catastrophes forced companies to pay losses at limits that far exceeded the limits for which they had collected premiums. The solution – guaranteed replacement cost was replaced with "extended replacement cost", which allows a limited cushion of 20 to 25% over insured limits for reconstruction. But now, having been spoiled with the "sky's the limit" philosophy, homeowners are turning to attorneys and regulators when they find their limits to be inadequate. Both insurers and agents are being held to account.

ONE ANSWER TO THE PROBLEM for high-end homeowners and their agents is to consider insuring with Chubb, who still offers a guaranteed full replacement cost clause in their Masterpiece policy. Chubb avoids the problem of being low-balled by using their own highly trained appraisers to inspect each house that they insure. If values are found to be higher than policy limits, Chubb will insist upon increasing the limits to maintain pricing integrity. So, sure, there's some cost to be assumed, but Chubb customers do not complain after a loss.

IN FACT, we've found that some insurance agents, who represent several personal lines companies, will come to us to secure Masterpiece coverage with Chubb for their own homes. Does that tell you something?



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PROCRASTINATED. Then, when I tried to sign up for the annual Thanksgiving Day Turkey Trot, the week before the holiday, I found that the race was full. So, my daughter Jill and I were left with our own private Free Union Four-Miler. It was a chilly and windy Thanksgiving day when we set out to work up our appetites for the feast. Apparently, I didn't run far enough. I gained four pounds in one day. No lie.

NOAH McMURRAY recently returned from NAPSLO's Advanced School in Grapevine, Texas. Among the areas they focused on were claim-handling, financial statement analysis and reinsurance. Jackson Landers is heading off to Chubb's headquarters for a week of high-level training in meeting the insurance needs of high-end personal lines customers. The program includes a visit to Sotheby's auction house in Manhattan.

THINGS ARE A MESS outside of our office. The parking lot has been fenced off and is filled with construction equipment. They're tearing up the asphalt and digging the foundation of what will be a five-story retail/office/residential condominium building. The project's slated to take 18 months to complete, so we'd better get used to the disruption. I think the angle is such that they'll take away about half of our mountain view from our office. Some poor guy had just opened up a little sandwich shop on the small street that's now been turned into a blind alley so nobody can even see his entrance. That's a business that's going to have a tough time succeeding.

LAST SATURDAY MORNING it was warm and I had a window open. I heard drums and went down to the Mall to see what was going on. There was a marching fife and drum band, decked out in full Revolutionary War regalia passing by. It was all part of the annual Jeffersonian Thanksgiving activities that happen here in Charlottesville. At least around these parts, Jefferson lives on.

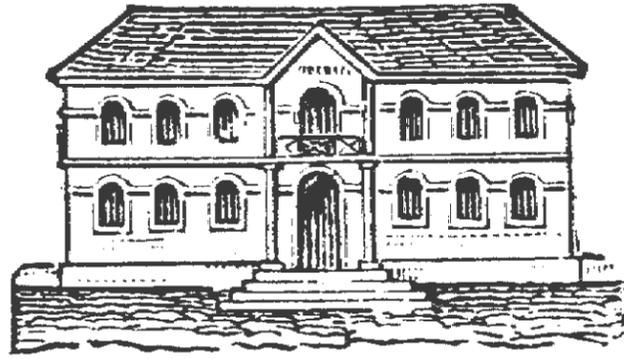
I'M PARTICULARLY THANKFUL for my family this year. My adult children make me proud and are a pleasure to spend time with. They've chosen wonderful partners to make a part of our expanding tribe. My granddaughter has become the light of our lives. My wife makes everything worthwhile. Insurance has provided a great livelihood, but they're who I do it for.

\$50 REWARD AUCTION GOO

TOP 10 explanations for that bulge on George Bush's back

10. Motherboard	5. Clean Underwear
9. The Man	4. Conjoined fetal twin
8. Coathanger	3. Smoke detector
7. Emergency Lunchables	2. Papoose
6. Parachute	1. Rosebud

QUALITY CASH



ACCESS TO EXCESS

LET'S SEE IF WE CAN SCARE UP some Chubb commercial umbrella business on habitational risks. Here's what we're looking for...

CHUBB PARTICULARLY FAVORS low-rise garden style apartment buildings. We'll be interested in life-safety issues. Do they have smoke detectors? Are they hard-wired? Fire extinguishers? Sprinklers? Central station fire alarms?

WHAT ABOUT SWIMMING POOLS? Are there diving boards? If so, how high? Do they provide lifeguards? Is lifeguard service contracted out? If so, what limits are provided by the contractor? Is the pool fenced? Are gates locked?

WHEN IT COMES TO HIGH-RISE APARTMENTS, they'll be considered, too, with much greater importance attached to sprinkler protection. We'll want to know about any security provided for residents.

WE'RE LOOKING FOR HIGH-QUALITY, well-managed properties that provide safe living conditions for tenants. Student housing will not be considered. HUD or Section 8 properties are not favored, although some exceptional subsidized housing may pass a thorough underwriting process.

CONDOMINIUMS ARE ALSO ELIGIBLE for coverage, subject to the same standards as apartments. If Directors & Officers liability is in place with a \$2,000,000 limit, excess coverage will be included in the umbrella.

THERE'S A SPECIAL SELLING ADVANTAGE with Chubb's product in that their form provides non-employment related discrimination coverage on a first dollar basis. That, alone, can be a reason to place a habitational risk with Chubb.

FULLY COMPLETED ACORD applications, accompanied by a physical description of the properties and life-safety details will get things going. Show us what you've got.



CHEAP MALPRACTICE

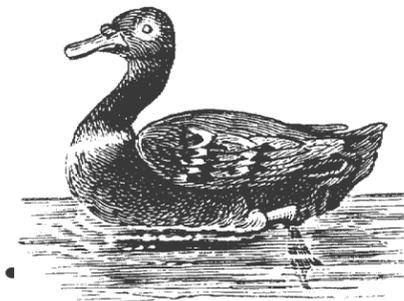
MEDICAL LEGAL DEFENSE ONLY COVERAGE.

Yup, in response to a trend that's growing among physicians, Essex Insurance Company has created a new type of medical malpractice coverage. Medical Legal Defense Only coverage is aimed at physicians who have chosen not to carry standard malpractice insurance, or have indemnification for liability from other sources, rather than pay the steeply climbing medical malpractice insurance premiums.

THIS NEW COVERAGE provides such physicians with legal reimbursement, which protects the physician's assets without being cost prohibitive. It's the perfect response for the doctor who says "I'm not concerned about doing anything wrong, but I can't tolerate the possibility of a frivolous lawsuit." Highlights of the new Medical Legal Defense coverage follow.

COVERAGE PROVIDES REIMBURSEMENT FOR LEGAL EXPENSES AS FOLLOWS:

- ☛ Defending a medical malpractice claim against insured
- ☛ Defending a peer review proceeding
- ☛ Defending license review board proceeding
- ☛ Defending hospital privileges
- ☛ Prior Acts coverage is available
- ☛ Minimum Premium is \$5,000
- ☛ Available limits:
 - \$100,000/100,000
 - \$250,000/250,000
 - \$500,000/500,000
- ☛ Two options for selection of counsel:
 - Select own counsel
 - Select counsel from approved panel



IT'S LIKE SHOOTING DUCKS ON A POND...

WHEN THE AUTUMN WEATHER TURNS chilly and our windshields are frosted in the morning, we know we're going to start getting calls about insuring hunt clubs. Whether it's a lease of a hundred acres of land by a group of friends who need a certificate of insurance to satisfy the landowner or a more sophisticated organization owning their own land with a lodge and firing ranges, they all need liability insurance.

IN THE PAST, we've had to verbally coach agents as to the specific details needed to underwrite this class of business. We'd need to know the number of acres, whether the land was

posted, details on water exposures, whether ATVs are used, and a whole slew of other important information. We'd recite the questions over the phone, hoping we didn't miss anything and agents wrote furiously, hoping they could read their own handwriting.

PROBLEM SOLVED. We've now got a specific application, just for hunting clubs and preserves. It'll ask everything we need to know. It's available for easy download at landersunderwriting.com. It's about time, huh?

...HELLOOo? ZAT YOU?

"WHAT ARE YOU DOING ANSWERING THE PHONE?" That's just the way we do it here. Everybody answers the phone. We take turns.

PICKING UP THE PHONE seems to be a pretty good way to be sure that everybody here is exposed to all of our customers. It allows the entire staff to have regular involvement with all of the operations of Landers Underwriting at some level. Although we've all got our specialties and areas of expertise, we all know something about what everybody else does. Telephone duty means that we're aware of when somebody's having trouble getting something through our fax machine. It gives us a good sense of who we're hearing from regularly and permits us to recognize and welcome new customers. We all get to hear the first explanation of a problem that needs solving and find a way to solve it, either directly, or by referring it to the most competent of us to help our customer.

I DON'T IMAGINE that full staff telephone duty finds its way into many management textbooks as to how to run a business. Nevertheless, it seems to work pretty well for us.



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