www.insuranceday.com

The best insurance

aims

Risk manager warns 'there will be no more material security possible' for executives

Anja Kruger Handburg

THE FINANCIAL crisis may jeopardise the very reason for directors' and offers' (D&O)

cover, at least for large-scale risks, a prominent German risk manager has said.

Given the extremely high claims that are likely to result from the crisis in financial lines, buyers of D&O are warning that there are considerable discrepancies between the sum insured and the risks involved.

· "There will be no more material security possible through D&O insurance," said Jurand Honisch, insurance buyer and risk manager at media enterprise Bertelsmann.

It is estimated that global D&O coverage totals \$5bn, said Honisch. This amount however, is insufficient to cover the gigantic problems which continue to arise and which are causing a wave of claims.

Companies use D&O to cover their top. executives against claims arising from professional mistakes which would otherwise have to be paid for using managers' private wealth. This line of business is very opaque, at least in Germany, where D&O insurers do not publish any premium or claims figures. It is estimated

that premium income from D&O insurance in Germany amounts to somewhere between €300m (\$395.2m) and €500m.

The economic crisis is causing customers to worry about the stability of D&O insurers, said Honisch, who added: "We find ourselves repeatedly questioning the stability of the risk carriers and their chances of survival." Honisch said risk managers sometimes found reason to doubt insurers' neutrality - in cases of claims from a bank or investment fund, if the same insurer providing D&O cover has lost money as an investor with these institutions, for example.

Companies in the financial sector are finding themselves paying up to 80% more for

Sutorius, managing director of Cologne-based VOV which sells D&O policies on behalf of seven insurers. Alexander Mahnke, from Aon. does not believe the 80% figure is accurate but agreed that a "substantial" increase for financial lines policies was being charged.

Prices remain stable for large companies from other sectors and have even fallen for medium-sized enterprises, said Sutorius.

"Insurers have enough good arguments to justifyaprice rise, "said D&O specialist broker, Horst Ihlas. "But no-one is doing it."



