TOWERS PERRIN

Directors and Officers Liability

2006 Survey of Insurance Purchasing and Claims Trends

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PREFACE

This survey is the 29th in a series of studies conducted by Towers Perrin on Directors and Officers (D&O) liability insurance purchasing and claims trends. The primary objectives of our survey are to:

- **Provide information to organizations about the structure and cost of D&O insurance programs for various sizes and types of organizations**
- **Report on the size, frequency, type, allegation and other characteristics on D&O claims.**

We have made several improvements to this year's survey. First, the 2006 report conveys the same critical information as prior surveys but in a more streamlined, concise format — with findings focused solely on U.S. organizations and market results. In addition, we are significantly increasing the survey's value as an information resource and benchmarking guide by making it readily accessible — at no charge — on *towersperrin.com.*

The 2006 survey included 2,875 participants, the largest number in the history of this report. Participants submitted data either on paper or electronically during the second and third quarters of 2006.

Considerable effort was made to ensure survey accuracy and completeness. We contacted a number of participants to clarify responses that were incomplete, unclear or appeared to be outside of normal expectations. Some responses were changed as a result of our inquiries and our validation with internal and external databases. For confidentiality, we did not show data breakdowns in exhibits when the number of participants was fewer than five.

We sincerely thank everyone who participated in this survey. Your support enables us once again to provide a unique report on D&O liability.

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STATISTICAL TERMS USED IN THIS REPORT

In several sections of this report, a distribution of values is described by giving the first quartile, median and third quartile values in addition to the mean, or average, value. Distributions are given for some subsets of the data to enhance interpretations of the survey results. A mean value by itself can be misleading if the underlying distribution is skewed to the low or high side. We report key percentiles to more fully describe each distribution; such values are calculated in accordance with standard statistical formulas.

The median is the middle value of a distribution — half the observations are less than or equal to this value and the other half are greater than or equal to the median. About one-quarter of the observations are at or below the first quartile value. Similarly, the third quartile value has about three-quarters of the observations at or below it. The range between the first and third quartiles contains values for the middle half of the data.

A non-probability sample is one in which respondents choose — or are selected — to participate. Such a sample is therefore not random. Because not all potential respondents are equally likely to participate, survey biases must be considered when interpreting results.

2006 SURVEY HIGHLIGHTS

The results from this year's survey are generally consistent with a continuing soft market for D&O liability insurance. The stock option backdating scandal received a great deal of publicity in 2006 but has not had any widespread D&O insurance market effect. As a result, survey participants generally reported higher limits, slightly lower retentions and premiums, broader coverage and fewer exclusions. Interest in an organization's D&O insurance program by potential directors was even higher than 2005 survey results. Finally, there is considerably more interest in Side A only D&O insurance than previously estimated.

Increased Survey Participation — This year's survey included 2,875 survey participants, the largest number in the survey's history and a 6.7% increase over the 2005 survey. The growth was due primarily to an increase in both smaller and private organizations. Participation by survey respondents with assets less than $6 million increased 33%.

Increased D&O Policy Limits and Slightly Lower Retentions — Fifteen percent of participants reported increasing their D&O limit (only 4% reported a decrease). Repeat survey participants reported an increase in average limits of 8% to 10%. The average limit purchased across all participants was $11.55 million. Seventy percent of participants reported no change in their retention level.

Popularity of Side A Only Coverage — Side A only D&O insurance policies cover the individual directors and officers when they are not indemnified by their organization. This coverage has been growing in popularity over the last few years. For repeat survey participants, the percentage purchasing Side A only coverage grew from 8% in 2005 to 12% in 2006. The largest increases occurred with nonprofit and private organizations. Fourteen percent of all participants reported purchasing a Side A only D&O policy. For public companies, 38% reported purchasing such a policy. In addition, 4% of all respondents only purchased a Side A only D&O policy. These organizations retain the corporate protection for indemnification and entity direct liability. Notably, to date, the majority of stock option backdating claims have resulted in shareholder derivative claims, a common source of Side A D&O claims. However, time will tell whether this will have an effect on the interest, pricing and scope of Side A only policies.

Growing Coverage Enhancements — Thirty-one percent of participants reported an increase in coverage enhancements to their D&O insurance policy. Few reported a decrease in coverage enhancements. With respect to policy exclusions, 8% reported a decrease in exclusions. Participants reported an increase in the purchase of stand-alone employment practices liability insurance, although the majority of participants still buy this coverage through their D&O policy.

Directors' Interest in D&O Insurance Has Not Waned With the Soft Market — In the 2005 survey, participants were asked about potential directors' inquiries into the organization's D&O insurance. The high number of inquiries reported may have been surprising, but this year the level of inquiries was even higher across all organization asset sizes. Based on asset size, 66% to 75% of organizations reported inquiries, except organizations with $6 million to $10 million of assets (only 26% of these organizations reported such inquiries). Public (66%) and private (71%) organizations reported much higher inquiry levels than nonprofits (32%).

Premiums Continue to Slide With the Soft Market — Although our index showed an 18% drop in average premiums, this is more reflective of the change in the number and size of survey participants. If the index had been limited to repeat participants, the average premium reduction would have been 6.5%, which we believe is a more accurate indication of the market. However, changes in premiums varied substantially among organizations. Repeat public company participants with assets less than $6 million reported a 21% reduction, compared to a 4% reduction for public organizations with assets greater than $10 billion. Repeat private organizations actually reported a 5% increase in average premiums.

Claims — In 2006, 395 of the 2,875 participants (14%) reported a total of 1,290 claims made over an approximate 10-year period — from 1996 through mid-2006. Claim frequency for 2006 for-profit participants was 0.28 compared to 0.34 in 2005 and 0.30 in 2004. Nonprofit participants reported a claim frequency of 1.18, compared to 1.53 in 2005 and 1.34 in 2004. Claim susceptibility was also down for both for-profit and nonprofit organizations. As in prior years, larger participants are more susceptible to D&O claims and more prone to multiple claims. The type of claimant is heavily dependent on ownership structure. Ninety-two percent of nonprofit organization claims come from employees. Shareholders represent 49% of claims against public companies. The average closed claim, regardless of source, was approximately $4.3 million (down from $4.8 million last year).

PARTICIPANT PROFILES

The D&O Liability Survey is a self-selecting, non-probability sample of insurance purchasing and claim patterns. There were 2,875 U.S. organizations that provided usable responses to the 2006 survey questionnaire. Some participants did not answer all of the survey questions. In these situations, we used the answers that were provided.

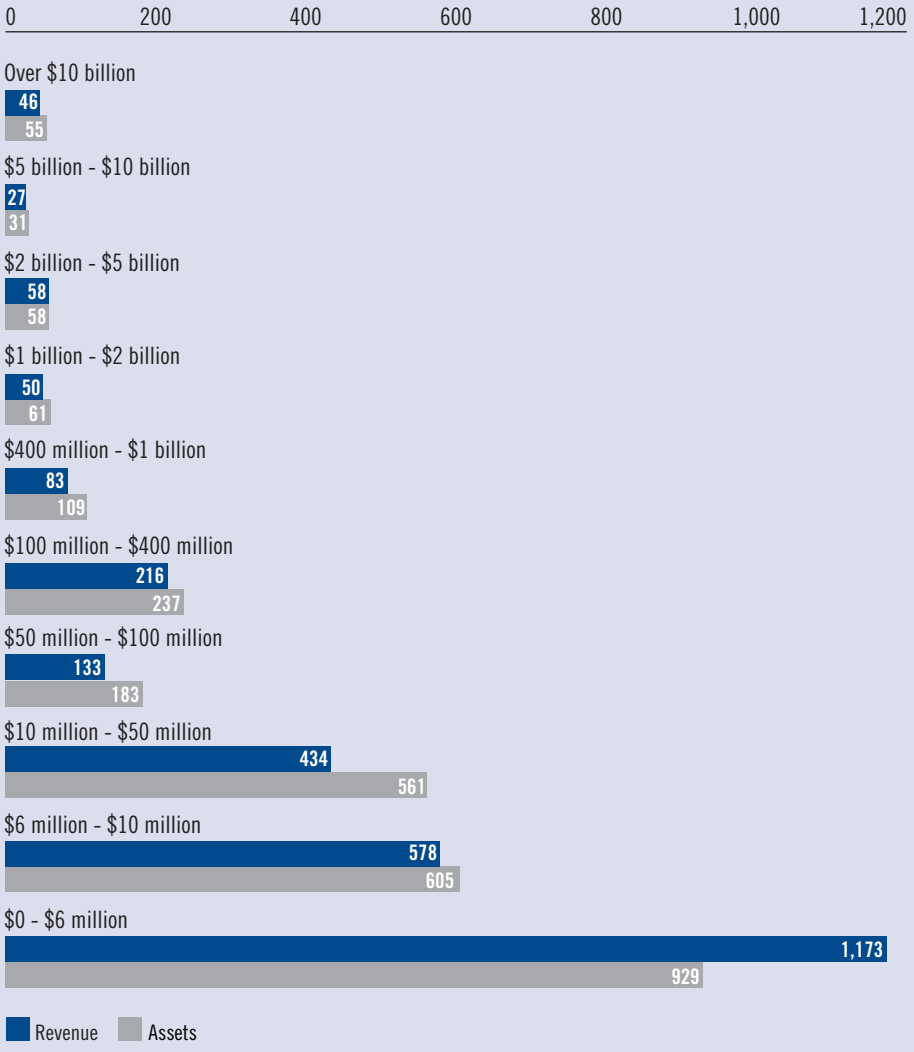
The 2,875 participants are profiled on the basis of several exposure characteristics, including:

- size, as represented by total assets, revenue and market capitalization
- business class
- ownership
- number of full-time employees.

The number of participants represents a 6.7% increase over the 2005 survey. The growth occurred primarily in the number of smaller organizations. For example, survey respondents with assets less than $6 million increased 33%. More than 74% of participants reported assets less than $50 million.

EXHIBIT 1

Participation by Size



The three largest participants by business class continue to be 1) technology, 2) governmental and other nonprofits and 3) biotechnology and pharmaceuticals. These three business classes represent over 60% of total participants.

Participant profiles by ownership type indicate that private participants represent 55% of respondents, public companies 25% and nonprofits 20%. In this year's survey, the number of private participants increased 17% while nonprofit participants increased 9% over 2005. Public participants reflect a 7% decline from the previous year's survey.

Fifty-eight percent of public company participants had a market capitalization of less than $400 million.

Sixty-one percent of all participants had less than 100 employees.

Organizations with larger assets generally have more board members than those with fewer assets. In addition, nonprofit organizations reported having more directors than both public and private organizations. The results are similar to the previous year's survey.

Given that over 99% of public, private and nonprofit participants purchase D&O insurance, prevalence data are no longer included. For the few participants that did not purchase D&O coverage, 50% saw no need for it and 25% indicated the cost was too high.

EXHIBIT 2

Participation by Business Class

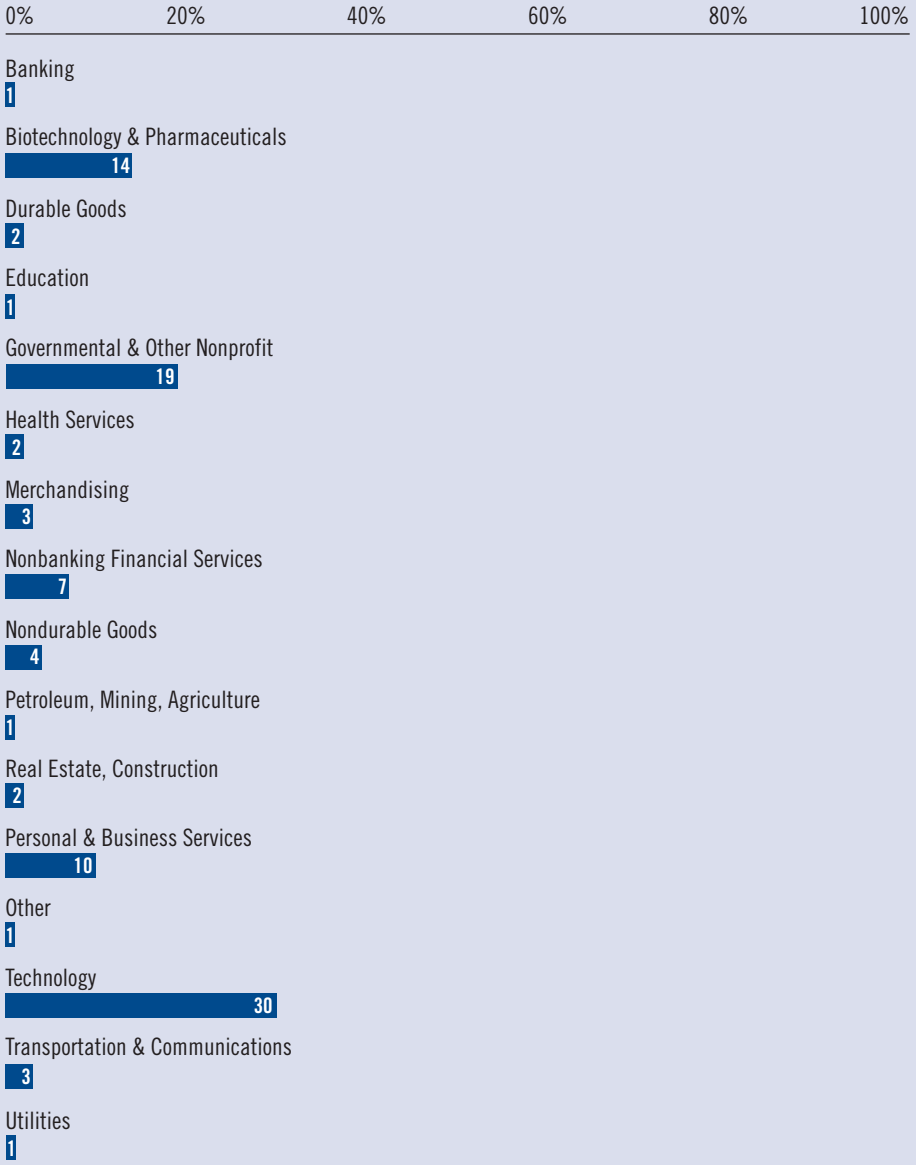


EXHIBIT 3

Participation by Ownership

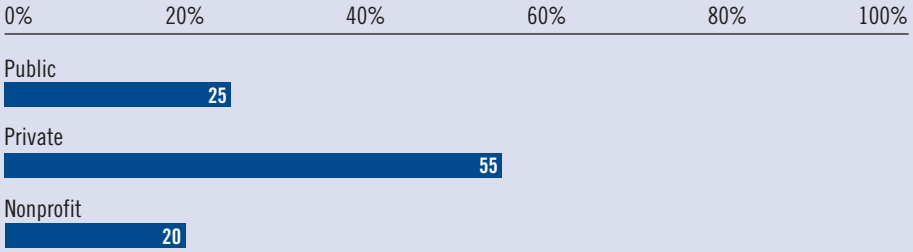


EXHIBIT 4

Participants by Business Class and Ownership

	Ownership		
Principal Business Class	**Public**	**Private**	**Nonprofit**
Banking	20	15	—
Biotechnology & Pharmaceuticals	152	247	6
Durable Goods	34	29	—
Education	3	8	13
Governmental & Other Nonprofit	1	49	496
Health Services	11	16	17
Merchandising	25	54	3
Nonbanking Financial Services	41	153	4
Nondurable Goods	40	64	3
Petroleum, Mining, Agriculture	12	17	4
Real Estate, Construction	11	42	9
Personal & Business Services	67	203	6
Technology	229	623	1
Transportation & Communications	44	49	3
Utilities	18	10	3
Other	4	14	2
All Business Classes	**712**	**1,593**	**570**

EXHIBIT 5

Participation by Market Capitalization (public only)

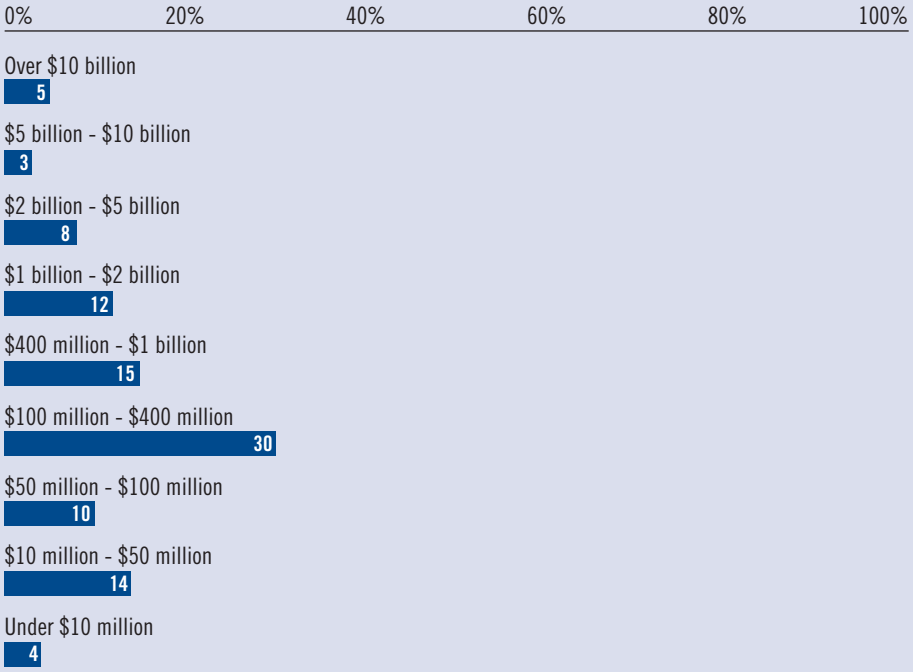


EXHIBIT 6

Participation by Full-Time Employees

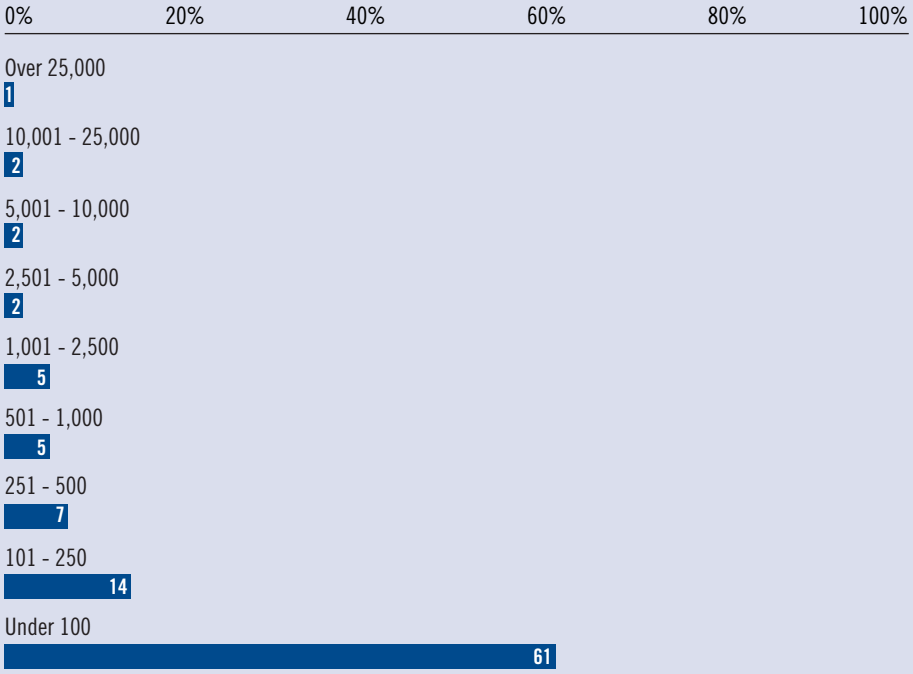


EXHIBIT 7

Average Number of Board Members by Asset Size

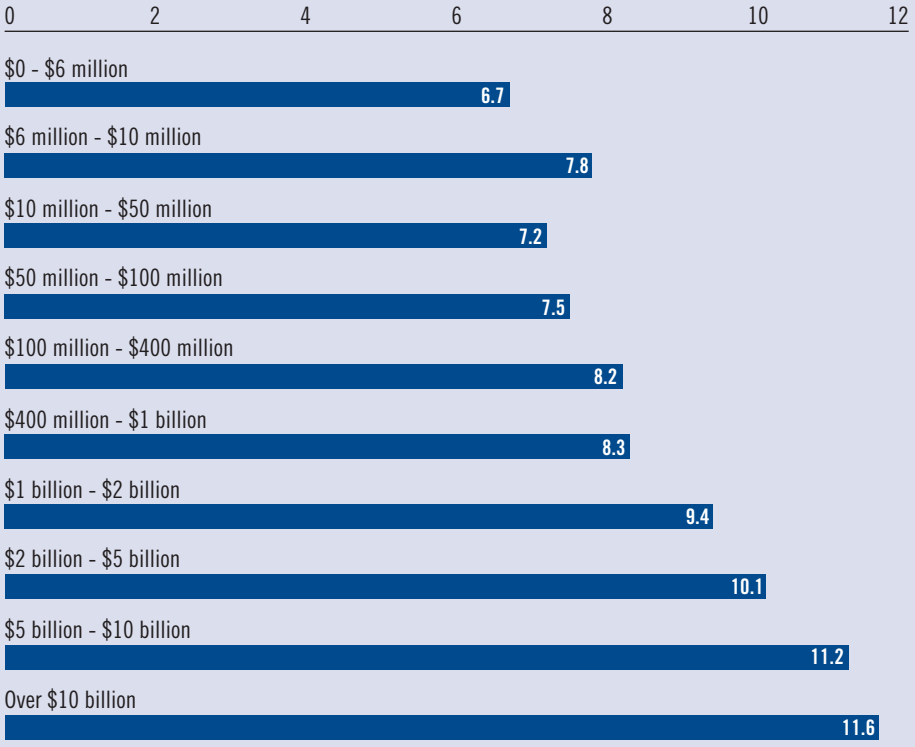


EXHIBIT 8

Average Number of Board Members by Business Class

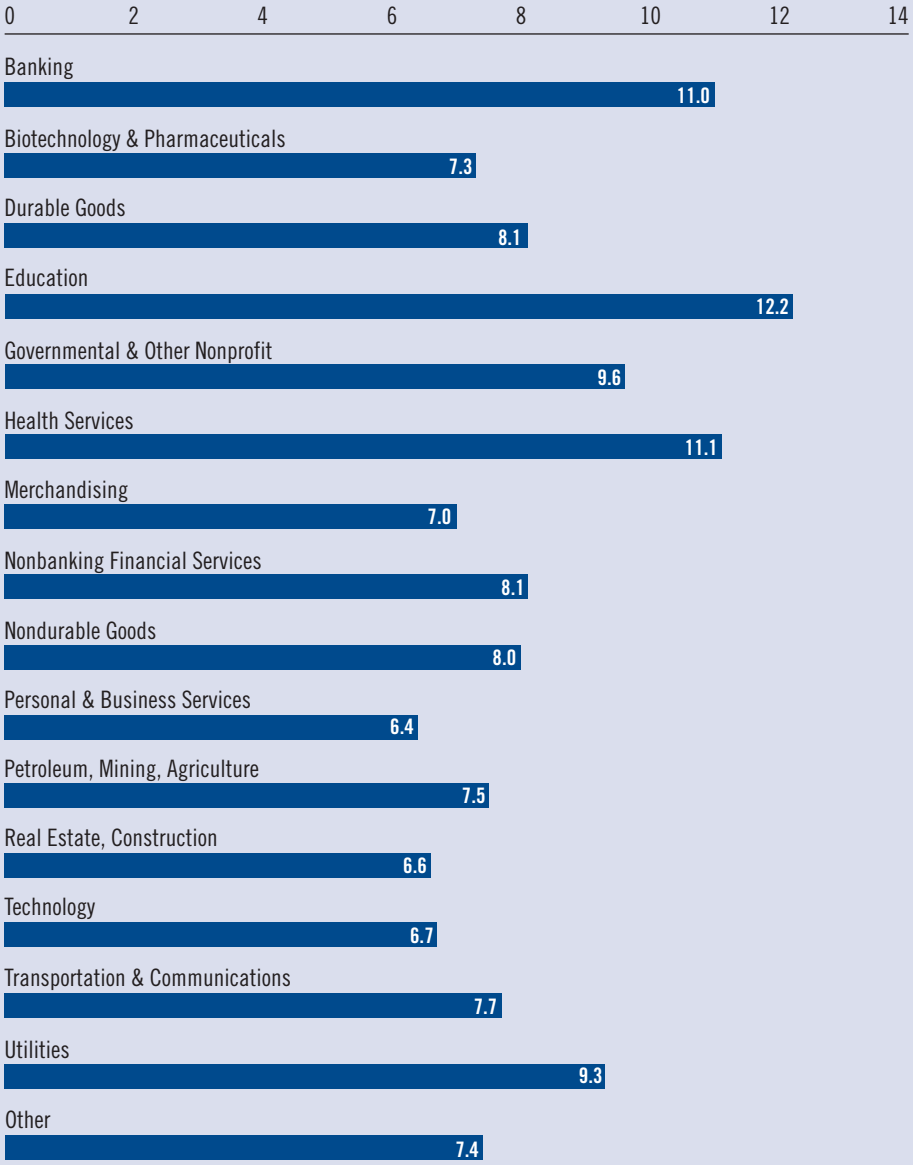
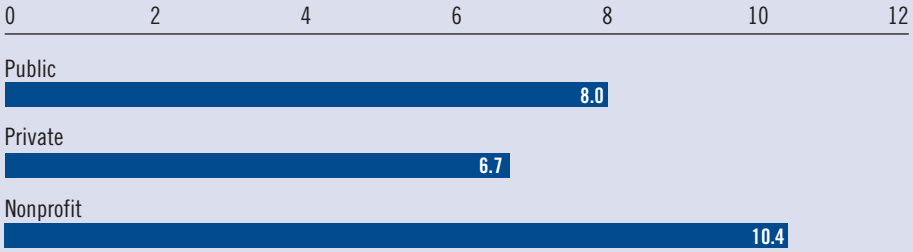


EXHIBIT 9

Average Number of Board Members by Ownership



POLICY LIMITS

The amount of policy limits purchased by participants ranged from $500,000 to $490 million. Not surprisingly, larger organizations purchase higher limits than smaller organizations, and public companies purchase substantially more limits than private and nonprofit organizations.

Consistent with 2005 survey results, 15% of participants reported increasing their D&O limits and only 4% reported decreasing their limits. The average limit reported across all participants was $11.55 million, a reduction from 2005. This is due to the increased number of small organization participants rather than a marketplace trend. Survey respondents that participated in the survey for the past two years showed increasing limits. Across all asset sizes, these organizations increased their limits an average of 8%. (*Exhibit 15* on page 18, Total Limits by Business Class, Repeat Participants for Last Two Years, indicates an average 10% increase.) Some of the more significant increases occurred in companies with assets between $5 billion and $10 billion. The utilities and durable goods business classes showed the highest average limits.

EXHIBIT 10
Changes in Limits by Business Class

	Increased	Decreased	Same
Banking	19%	0%	81%
Biotechnology & Pharmaceuticals	28%	3%	68%
Durable Goods	29%	7%	64%
Education	13%	0%	87%
Governmental & Other Nonprofit	5%	3%	93%
Health Services	30%	7%	63%
Merchandising	18%	2%	80%
Nonbanking Financial Services	17%	4%	79%
Nondurable Goods	15%	5%	79%
Personal & Business Services	17%	5%	79%
Petroleum, Mining, Agriculture	12%	0%	88%
Real Estate, Construction	11%	11%	79%
Technology	15%	3%	82%
Transportation & Communications	23%	8%	70%
Utilities	29%	4%	68%
Other	0%	0%	100%
All Business Classes	**15%**	**4%**	**81%**

EXHIBIT 11
Total Limits by Asset Size (in millions)

	Participants Reporting	First Quartile	Median	Third Quartile	Average
$0 - $6 million	906	$ 1.00	$ 1.00	$ 3.00	$ 2.82
$6 million - $10 million	604	1.00	2.00	3.00	2.54
$10 million - $50 million	556	2.00	5.00	7.00	6.51
$50 million - $100 million	182	5.00	10.00	20.00	12.03
$100 million - $400 million	236	7.25	15.00	20.00	15.96
$400 million - $1 billion	109	15.00	25.00	35.00	28.01
$1 billion - $2 billion	61	20.00	30.00	50.00	38.49
$2 billion - $5 billion	58	35.00	60.00	90.00	63.59
$5 billion - $10 billion	29	50.00	100.00	125.00	94.14
Over $10 billion	53	30.00	105.00	200.00	128.26
All Size Groups	**2,794**	**$ 1.00**	**$ 3.00**	**$ 10.00**	**$ 11.55**

Public organizations showed a 6.7% increase in limits over 2005 (repeat participants reported a similar increase), with an average limit of $34 million. Notably, the largest increases reported were for organizations with assets greater than $5 billion and those with assets less than $6 million. Private organizations had an average limit of $4 million, consistent with last year. Repeat participant private organizations reported a 4% increase in limits. The average limit for nonprofit participants was $3 million, a 36% drop from last year. Nonprofit repeat participants actually showed a 3.5% increase in limits, from $2.59 million to $2.68 million.

EXHIBIT 12

Total Limits by Asset Size (in millions) — Repeat Participants for Last Two Years

	Participants Reporting	2005 Average Limits	2006 Average Limits	% Change
$0 - $6 million	444	$ 2.11	$ 2.20	4%
$6 million - $10 million	412	2.17	2.27	5%
$10 million - $50 million	274	6.07	6.53	7%
$50 million - $100 million	67	11.70	12.90	10%
$100 million - $400 million	120	15.49	16.29	5%
$400 million - $1 billion	51	27.90	30.25	8%
$1 billion - $2 billion	26	31.00	34.04	10%
$2 billion - $5 billion	31	57.10	64.35	13%
$5 billion - $10 billion	10	66.50	81.00	22%
Over $10 billion	22	138.23	143.23	4%
All Size Groups	**1,457**	**$ 9.50**	**$ 10.23**	**8%**

EXHIBIT 13

Total Limits by Market Capitalization (public only — in millions)

	Participants Reporting	First Quartile	Median	Third Quartile	Average
Under $10 million	29	$ 3.00	$ 5.00	$ 15.00	$ 19.24
$10 million - $50 million	92	5.00	10.00	15.00	11.23
$50 million - $100 million	63	7.00	10.00	20.00	15.64
$100 million - $400 million	192	12.00	15.00	25.00	18.73
$400 million - $1 billion	95	15.00	25.00	30.00	26.63
$1 billion - $2 billion	77	25.00	30.00	50.00	40.34
$2 billion - $5 billion	52	41.25	60.00	100.00	73.56
$5 billion - $10 billion	19	35.00	70.00	100.00	87.89
Over $10 billion	29	118.00	175.00	250.00	195.41
All Size Groups	**648**	**$ 10.00**	**$ 20.00**	**$ 35.00**	**$ 35.46**

EXHIBIT 14

Total Limits by Business Class (in millions)

	Participants Reporting	First Quartile	Median	Third Quartile	Average
Banking	35	$ 3.00	$10.00	$ 40.00	$29.91
Biotechnology & Pharmaceuticals	405	2.00	4.00	15.00	9.95
Durable Goods	60	2.25	10.00	57.50	40.03
Education	24	1.00	2.50	5.75	4.63
Governmental & Other Nonprofit	528	1.00	1.00	2.00	2.25
Health Services	44	1.25	8.00	20.00	15.77
Merchandising	82	1.00	3.50	20.00	17.83
Nonbanking Financial Services	195	3.00	5.00	15.00	16.30
Nondurable Goods	107	2.00	5.00	25.00	26.39
Personal & Business Services	269	1.00	3.00	7.00	7.18
Petroleum, Mining, Agriculture	33	1.00	3.00	15.00	24.45
Real Estate, Construction	59	1.00	2.00	10.00	10.19
Technology	853	2.00	3.00	8.00	8.61
Transportation & Communications	93	2.00	8.00	20.00	21.52
Utilities	31	25.00	70.00	130.00	87.90
Other	19	1.00	2.00	10.00	5.42
All Business Classes	**2,837**	**$ 1.00**	**$ 3.00**	**$ 10.00**	**$11.44**

EXHIBIT 15

Total Limits by Business Class (in millions) — Repeat Participants for Last Two Years

	Participants Reporting	2005 Average Limits	2006 Average Limits	% Change
Banking	17	$28.94	$32.71	13%
Biotechnology & Pharmaceuticals	273	8.93	9.88	11%
Durable Goods	25	50.82	55.62	9%
Education	11	4.55	4.64	2%
Governmental & Other Nonprofit	406	2.27	2.27	0%
Health Services	23	12.20	14.11	16%
Merchandising	49	14.69	16.15	10%
Nonbanking Financial Services	120	11.37	13.40	18%
Nondurable Goods	50	24.08	25.63	6%
Personal & Business Services	141	6.51	6.96	7%
Petroleum, Mining, Agriculture	20	21.40	20.90	-2%
Real Estate, Construction	32	7.38	7.91	7%
Technology	614	7.74	8.49	10%
Transportation & Communications	58	10.71	12.33	15%
Utilities	20	80.20	90.45	13%
All Business Classes	**1,859**	**$ 9.31**	**$10.23**	**10%**

EXHIBIT 16

Total Limits by Asset Size (in millions) — Public Organizations

	Participants Reporting	First Quartile	Median	Third Quartile	Average
$0 - $6 million	59	$ 3.00	$ 5.00	$ 15.00	$ 13.28
$6 million - $10 million	25	2.00	5.00	7.50	9.02
$10 million - $50 million	137	7.00	10.00	15.00	13.79
$50 million - $100 million	94	10.00	15.00	25.00	18.13
$100 million - $400 million	159	15.00	20.00	25.00	19.96
$400 million - $1 billion	82	20.00	25.00	35.00	30.55
$1 billion - $2 billion	42	29.50	40.00	60.00	47.33
$2 billion - $5 billion	48	50.00	70.00	97.50	70.38
$5 billion - $10 billion	20	70.00	105.00	143.75	111.25
Over $10 billion	41	77.50	150.00	225.00	158.59
All Size Groups	**707**	**$10.00**	**$ 20.00**	**$ 35.00**	**$ 34.48**

EXHIBIT 17

Total Limits by Asset Size (in millions) — Private Organizations

	Participants Reporting	First Quartile	Median	Third Quartile	Average
$0 - $6 million	638	$ 1.00	$ 2.00	$ 3.00	$ 2.29
$6 million - $10 million	316	1.00	2.00	3.00	2.43
$10 million - $50 million	373	2.00	3.00	5.00	4.09
$50 million - $100 million	82	3.00	5.00	6.25	5.48
$100 million - $400 million	65	3.00	5.00	10.00	7.64
$400 million - $1 billion	20	5.00	10.00	25.00	18.60
$1 billion - $2 billion	14	12.50	17.50	21.25	17.50
$2 billion - $5 billion	7	10.00	20.00	50.00	35.71
$5 billion - $10 billion	6	23.75	62.50	103.75	64.17
Over $10 billion	11	3.00	15.00	50.00	26.82
All Size Groups	**1,532**	**$ 1.00**	**$ 2.00**	**$ 5.00**	**$ 4.08**

EXHIBIT 18

Total Limits by Asset Size (in millions) — Nonprofit Organizations

	Participants Reporting	First Quartile	Median	Third Quartile	Average
$0 - $6 million	209	$ 1.00	$ 1.00	$ 1.00	$ 1.45
$6 million - $10 million	263	1.00	1.00	2.00	2.05
$10 million - $50 million	46	1.00	3.00	5.00	4.43
$50 million - $100 million	6	4.00	5.00	10.00	6.00
$100 million - $400 million	12	2.00	10.00	10.00	8.08
$400 million - $1 billion	7	10.00	15.00	50.00	25.14
$1 billion - $2 billion	5	10.00	20.00	37.50	23.00
$2 billion - $5 billion	3	—	—	—	—
$5 billion - $10 billion	3	—	—	—	—
Over $10 billion	1	—	—	—	—
All Size Groups	**555**	**$ 1.00**	**$ 1.00**	**$ 2.00**	**$ 2.97**

SIDE A ONLY COVERAGE

This year, the survey questionnaire was changed to capture improved data regarding participants' purchase of Side A only D&O coverage. Side A only D&O insurance policies cover the individual directors and officers when they are not indemnified by their organization. Shareholder derivative claims, to date the most common claim type from the stock option backdating scandal, is an example of a claim for which an organization will not indemnify individual directors and officers. Side A only insurance policies do not cover claims for which the organization indemnifies individual directors and officers (Side B coverage) or where the liability resides with the organization itself (Side C coverage).

Fourteen percent of all participants reported purchasing a Side A only D&O policy. For public companies, 38% reported purchasing a Side A only D&O policy.

Side A only coverage has been growing in popularity over the last few years. For repeat survey participants, the percentage purchasing Side A only coverage grew from 8% in 2005 to 12% in 2006. The largest increases occurred with nonprofit and private organizations. The popularity of Side A only coverage reflects the desires of directors and officers for improved personal coverage.

EXHIBIT 19
Side A Only Coverage by Business Class

	Participants Reporting	% in Group With Side A Only Coverage in Their Program	% of Participants With Only Side A Coverage
Banking	35	26%	6%
Biotechnology & Pharmaceuticals	404	10%	1%
Durable Goods	58	33%	10%
Education	24	21%	21%
Governmental & Other Nonprofit	528	10%	9%
Health Services	42	19%	7%
Merchandising	81	21%	7%
Nonbanking Financial Services	192	11%	2%
Nondurable Goods	106	29%	8%
Personal & Business Services	269	12%	1%
Petroleum, Mining, Agriculture	33	52%	30%
Real Estate, Construction	58	24%	21%
Technology	852	11%	1%
Transportation & Communications	91	22%	0%
Utilities	28	46%	4%
All Business Classes	**2,801**	**14%**	**4%**

EXHIBIT 20
Side A Only Coverage by Ownership

	Participants Reporting	% in Group With Side A Only Coverage in Their Program	% of Participants With Only Side A Coverage
Nonprofit	562	9%	8%
Private	1,559	5%	4%
Public	699	38%	2%
All Groups	**2,820**	**14%**	**4%**

EXHIBIT 21
Side A Only Coverage by Ownership — Repeat Participants for Last Two Years

	Participants Reporting	2005 Participants With Side A Only Coverage at Some Point	2005 % With Side A Only Coverage at Some Point	2006 Participants With Side A Only Coverage at Some Point	2006 % With Side A Only Coverage at Some Point	Change
Nonprofit	418	5	1%	19	5%	280%
Private	996	9	1%	39	4%	333%
Public	463	132	29%	165	36%	25%
All Groups	**1,877**	**146**	**8%**	**223**	**12%**	**53%**

Some organizations decided to purchase *only* Side A only coverage and are willing to retain the Side B and Side C losses. Four percent of all participants and 8% of nonprofits only purchase Side A coverage and retain Side B and Side C loss exposures.

For those participants who purchase a Side A only policy in excess of Side A, B and C coverage, the average attachment point is $33.4 million. The average attachment layer for the Side A only D&O policy is also shown *(Exhibit 24).* An average of one means the Side A only policy sits directly on top of the primary Side A, B and C policy. An average of two indicates the Side A only policy sits on top of the primary and one excess Side A, B and C policy. The average attachment layer is 3.29.

For those respondents who only purchased a Side A only policy, the average limit was $8 million. The average Side A only limit for those participants who also purchased a Side A, B and C policy was $15 million. The average rate per $1 million of limit was approximately half the rate for Side A, B and C policies. This is more reflective of the higher attachment points of Side A only policies than the actual rate decrease for removing Side B and C coverage. Many argue that insurers do not reduce the rate enough on Side A only policies to reflect the actual risk reduction.

EXHIBIT 22
Side A Only Coverage by Asset Size

	Participants Reporting	% in Group With Side A Only Coverage in Their Program	% of Participants With Only Side A Coverage
$0 - $6 million	906	6%	4%
$6 million - $10 million	604	9%	8%
$10 million - $50 million	555	9%	2%
$50 million - $100 million	181	17%	2%
$100 million - $400 million	234	29%	4%
$400 million - $1 billion	109	39%	3%
$1 billion - $2 billion	60	40%	3%
$2 billion - $5 billion	55	47%	4%
$5 billion - $10 billion	27	63%	4%
Over $10 billion	47	55%	9%
All Size Groups	**2,778**	**14%**	**4%**

EXHIBIT 23
Side A Only Coverage by Market Capitalization (public only)

	Participants Reporting	% in Group With Side A Only Coverage in Their Program	% of Participants With Only Side A Coverage
Under $10 million	29	10%	0%
$10 million - $50 million	92	30%	2%
$50 million - $100 million	63	35%	2%
$100 million - $400 million	192	33%	2%
$400 million - $1 billion	94	37%	0%
$1 billion - $2 billion	75	63%	3%
$2 billion - $5 billion	51	61%	6%
$5 billion - $10 billion	19	47%	0%
Over $10 billion	23	70%	4%
All Size Groups	**638**	**40%**	**2%**

EXHIBIT 24

Side A Only Coverage Attachment Points by Asset Size

	Average Attach Point ($ millions)	Minimum Attach Point	Maximum Attach Point	Average Attach Layer (Prim=0, xs1=1, xs=2, etc.)
$0 - $6 million	19.5	3.0	125.0	2.31
$6 million - $10 million	29.2	5.0	75.0	2.00
$10 million - $50 million	12.0	3.0	50.0	1.93
$50 million - $100 million	18.3	5.0	31.0	2.96
$100 million - $400 million	18.1	5.0	40.0	2.92
$400 million - $1 billion	26.0	10.0	90.0	3.15
$1 billion - $2 billion	34.5	10.0	85.0	3.77
$2 billion - $5 billion	53.8	10.0	110.0	4.00
$5 billion - $10 billion	72.5	20.0	150.0	4.69
Over $10 billion	104.3	10.0	200.0	6.09
All Size Groups	**33.4**	**3.0**	**200.0**	**3.29**

EXHIBIT 25

Side A Only Limits and Premium Rates by Participant Asset Size

	Average Limit for Side A Only Coverage (No A/B/C Coverage)	Average Side A Only Limit for Participants That Also Have A/B/C Policy	Side A Only Average Limit as a % of Total D&O Limits	Average Rate per $1M Limit for A/B/C Coverage	Average Rate per $1M Limit for Side A Only Coverage
$0 - $6 million	1.4	10.6	35%	$21,439	$11,966
$6 million - $10 million	1.4	11.0	27%	19,817	10,515
$10 million - $50 million	14.7	7.6	38%	21,166	10,937
$50 million - $100 million	6.8	5.8	24%	23,716	12,289
$100 million - $400 million	13.4	6.7	26%	29,009	13,623
$400 million - $1 billion	26.0	9.0	26%	25,961	13,174
$1 billion - $2 billion	17.5	16.3	32%	27,783	10,684
$2 billion - $5 billion	55.0	23.5	30%	21,557	12,884
$5 billion - $10 billion	100.0	28.1	28%	22,468	11,900
Over $10 billion	55.0	56.1	35%	29,272	14,524
All Groups	**8.0**	**15.0**	**31%**	**$25,654**	**$12,950**

COVERAGE ENHANCEMENTS

The changes in coverage enhancements and exclusions further support our observations about the continued softening of the D&O insurance market. Thirty-one percent of participants reported an increase in coverage enhancements to their D&O policy (up from 25% last year, 13% in 2004 and only 5% in 2003). Similar to 2005, few participants reported a decrease in coverage enhancements.

With respect to policy exclusions, 8% reported a decrease in exclusions (down from 10% in 2005). Participants reporting a decrease in exclusions ranged from 0% (Education) to 18% (Banking). Only 1% of participants reported an increase in policy exclusions (Utilities was the highest with 7%), the same as 2005.

Entity coverage (Side C coverage), which covers the organization itself, is purchased by over 92% of all participants, down from 96% last year. Large organizations (measured by assets) are less likely to purchase entity coverage than small organizations. For example, 78% of participants with assets over $5 billion purchase entity coverage, compared to 93% of participants with assets under $100 million.

EXHIBIT 26
Changes in Enhancements by Business Class

	Increased	Decreased	Same
Banking	35%	0%	65%
Biotechnology & Pharmaceuticals	51%	0%	49%
Durable Goods	43%	0%	57%
Education	0%	0%	100%
Governmental & Other Nonprofit	7%	0%	93%
Health Services	24%	0%	76%
Merchandising	30%	2%	68%
Nonbanking Financial Services	53%	0%	47%
Nondurable Goods	46%	0%	54%
Personal & Business Services	34%	0%	66%
Petroleum, Mining, Agriculture	32%	0%	68%
Real Estate, Construction	24%	2%	74%
Technology	35%	0%	65%
Transportation & Communications	35%	0%	65%
Utilities	30%	7%	63%
Other	0%	0%	100%
All Business Classes	**31%**	**0%**	**69%**

EXHIBIT 27
Changes in Exclusions by Business Class

	Increased	Decreased	Same
Banking	5%	18%	77%
Biotechnology & Pharmaceuticals	1%	11%	88%
Durable Goods	0%	14%	86%
Education	0%	0%	100%
Governmental & Other Nonprofit	0%	1%	99%
Health Services	0%	9%	91%
Merchandising	2%	10%	88%
Nonbanking Financial Services	0%	8%	92%
Nondurable Goods	0%	12%	88%
Personal & Business Services	1%	10%	90%
Petroleum, Mining, Agriculture	0%	11%	89%
Real Estate, Construction	0%	5%	95%
Technology	0%	9%	91%
Transportation & Communications	2%	16%	82%
Utilities	7%	13%	80%
Other	0%	0%	100%
All Business Classes	**1%**	**8%**	**92%**

Employment practices are a frequent source of claims against directors, officers and their organizations. Organizations that purchase insurance for employment practices liability (EPL) claims typically either buy a stand-alone EPL insurance policy or endorse their D&O policy to cover EPL. Some D&O policy forms broaden the coverage to include EPL, which are then endorsed to remove the coverage for insureds who do not want EPL insurance. Since non-officer employees and the entity (Side C coverage) are common defendants, EPL insurance needs to cover them as well as directors and officers.

In 2005, 79% of participants bought EPL coverage, compared to 91% in 2006. In addition, 36% of participants purchased stand-alone EPL coverage, up from 14% in 2005.

The majority (55%) of participants still purchase EPL insurance with their D&O policy, down from 65% in 2005. This approach is usually the least expensive method of buying EPL coverage. However, directors and officers may not opt for this approach since it could result in the dilution of coverage for their benefit.

Survey participants with large numbers of employees and nonprofit organizations were the least likely to purchase EPL insurance.

Fiduciary liability insurance is frequently treated the same way as EPL insurance — either purchased as a stand-alone policy or endorsed to an organization's D&O policy. The purchase practices of our survey participants with respect to fiduciary liability will be included in next year's D&O survey.

EXHIBIT 28
Prevalence of Entity Coverage by Asset Size

Under $100 million	93%
$100 million - $400 million	91%
$400 million - $1 billion	93%
$1 billion - $2 billion	93%
$2 billion - $5 billion	86%
Over $5 billion	78%
All Size Groups	**92%**

EXHIBIT 29
Prevalence of Entity Coverage by Ownership

Nonprofit	93%
Private	92%
Public	91%

EXHIBIT 30
Prevalence of EPL Coverage by Full-Time Employees

	No EPL	Stand-Alone EPL	D&O With EPL
Under 250	8%	36%	56%
251 - 1,000	4%	30%	66%
1,001 - 2,500	12%	38%	51%
2,501 - 5,000	18%	43%	39%
5,001 - 10,000	26%	44%	31%
Over 10,001	25%	48%	27%
All Size Groups	**9%**	**36%**	**55%**

EXHIBIT 31
Prevalence of EPL Coverage by Ownership

	No EPL	Stand-Alone EPL	D&O With EPL
Nonprofit	46%	5%	49%
Private	11%	29%	61%
Public	10%	45%	45%

D&O INQUIRIES

In the 2005 survey, respondents were asked for the first time whether potential directors inquired about D&O coverage. Equally important, participants were also asked whether these inquiries resulted in coverage changes. In fact, our 2005 survey feedback indicated that the large number of inquiries reported by respondents — along with the resulting D&O insurance program changes — were surprising to a large number of readers. In the 2006 survey, participants reported an increase in inquiries across all asset sizes and ownership types. An increase from 2005 in changes to the D&O insurance coverage was primarily reported by respondents with assets under $10 million.

EXHIBIT 32

D&O Inquiries by Asset Size

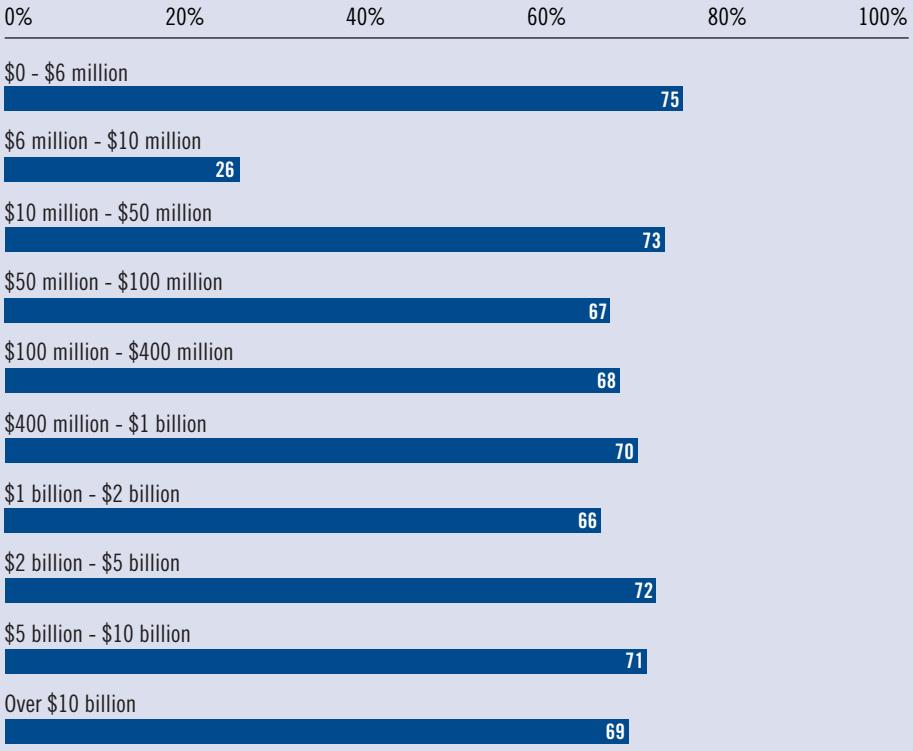


EXHIBIT 33

D&O Inquiries by Ownership

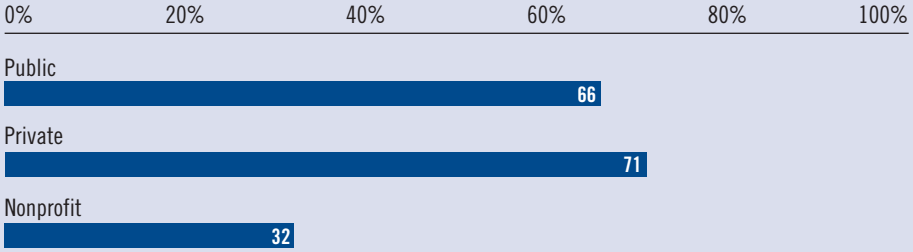
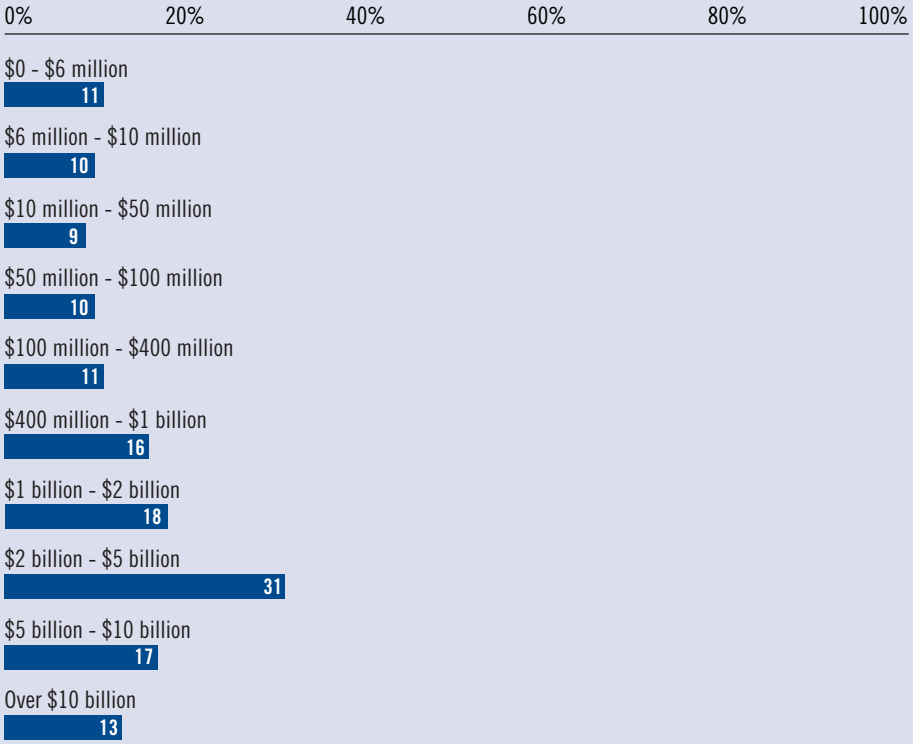


EXHIBIT 34

D&O Coverage Changes From D&O Requests by Asset Size



RETENTIONS

Side A coverage usually has no retention for the individual director or officer. If there is a policy retention, it is usually less than a few thousand dollars. Historically, 90% or more of survey respondents report having no Side A deductible or retention. As a result, we have focused our attention on the Side B (corporate reimbursement for indemnification payments) and Side C (entity direct liability) retentions, which are usually the same amount.

Participants were asked whether their retentions had increased, decreased or remained the same from the prior policy year. Across all business classes, fewer participants reported increasing their retention this year (20% versus 29% in 2005). Ten percent reported decreasing their retention and 70% reported no change.

The average retentions for all respondents shown by asset size ($426,000) and business class ($419,000) represent a 23% reduction from last year's levels. The magnitude of the reduction, however, is primarily due to an increase in the number of smaller participants. Repeat participants for the last two years showed a 6% decrease when viewed by asset size and a 2% increase when viewed by business class.

EXHIBIT 35

Changes in Retentions by Business Class

	Increased	Decreased	Same
Banking	18%	6%	76%
Biotechnology & Pharmaceuticals	27%	9%	64%
Durable Goods	19%	9%	72%
Education	20%	0%	80%
Governmental & Other Nonprofit	13%	4%	83%
Health Services	35%	20%	45%
Merchandising	24%	4%	71%
Nonbanking Financial Services	13%	8%	79%
Nondurable Goods	25%	11%	64%
Personal & Business Services	21%	17%	62%
Petroleum, Mining, Agriculture	0%	0%	100%
Real Estate, Construction	28%	0%	72%
Technology	23%	11%	66%
Transportation & Communications	22%	24%	54%
Utilities	12%	16%	72%
Other	0%	0%	100%
All Business Classes	**20%**	**10%**	**70%**

EXHIBIT 36

Entity/Reimbursement Retention Levels by Asset Size (in thousands) — All Organizations

	Participants Reporting	No Retention	First Quartile	Median	Third Quartile	Average
$0 - $6 million	815	62	$ 5	$ 10	$ 25	$ 49
$6 million - $10 million	499	41	5	10	25	35
$10 million - $50 million	511	25	10	25	150	171
$50 million - $100 million	168	4	35	250	500	280
$100 million - $400 million	220	8	150	275	500	477
$400 million - $1 billion	93	9	250	500	1,000	594
$1 billion - $2 billion	52	6	250	625	1,000	1,627
$2 billion - $5 billion	50	6	500	1,000	2,125	2,204
$5 billion - $10 billion	21	6	1,000	2,500	7,500	6,514
Over $10 billion	44	5	500	5,000	10,000	8,382
All Size Groups	**2,473**	**172**	**$ 10**	**$ 25**	**$ 250**	**$ 426**

Public company respondents had an average retention of $1.5 million (down 24% from 2005). For repeat public company respondents, the decline was only 6%. Private organizations reported an average retention of $64,000 (down 36% from 2005). For repeat private organizations, the reported decline was 12%. Nonprofit organizations reported an average retention of $31,000 (down 42% from 2005). For repeat nonprofit participants, the decline was only 1%. Much of the large decline in retention can be attributed to the new makeup of the 2006 survey participant group.

Note that for survey purposes, we have not drawn a distinction between retentions and deductibles — even though they generally operate very differently (policy limits are usually reduced by the amount of a deductible while the limit is not reduced by the amount of the retention).

EXHIBIT 37

Entity/Reimbursement Retention Levels by Asset Size (in thousands) — All Organizations; Repeat Participants for Last Two Years

	Participants Reporting	2005 Average Retention	2006 Average Retention	% Change
$0 - $6 million	386	$ 32	$ 30	-6%
$6 million - $10 million	130	41	38	-7%
$10 million - $50 million	235	114	121	6%
$50 million - $100 million	62	443	327	-26%
$100 million - $400 million	113	518	551	6%
$400 million - $1 billion	46	740	623	-16%
$1 billion - $2 billion	22	1,414	1,030	-27%
$2 billion - $5 billion	27	2,689	2,003	-26%
$5 billion - $10 billion	9	3,033	2,478	-18%
Over $10 billion	20	10,638	11,175	5%
All Size Groups	**1,050**	**$ 484**	**$ 456**	**-6%**

EXHIBIT 38

Entity/Reimbursement Retention Levels by Business Class (in thousands)

	Participants Reporting	No Retention	First Quartile	Median	Third Quartile	Average
Banking	34	0	$ 25	$175	$ 500	$ 680
Biotechnology & Pharmaceuticals	393	7	10	25	250	238
Durable Goods	50	6	15	250	1,000	2,304
Education	14	4	23	43	100	202
Governmental & Other Nonprofit	420	59	3	5	10	13
Health Services	32	4	10	125	500	1,117
Merchandising	75	3	10	50	500	760
Nonbanking Financial Services	181	6	15	100	325	849
Nondurable Goods	89	6	13	100	500	1,378
Personal & Business Services	243	20	10	25	150	212
Petroleum, Mining & Agriculture	20	3	14	163	325	996
Real Estate & Construction	41	5	10	35	250	273
Technology	797	40	10	25	188	312
Transportation & Communications	81	8	10	50	425	532
Utilities	27	1	200	500	2,500	2,562
Other	16	2	10	15	200	121
All Business Classes	**2,513**	**174**	**$ 10**	**$ 25**	**$ 250**	**$ 419**

EXHIBIT 39

Entity/Reimbursement Retention Levels by Business Class (in thousands) — Repeat Participants for Last Two Years

	Participants Reporting	2005 Average Retention	2006 Average Retention	% Change
Banking	15	$ 934	$ 929	0%
Biotechnology & Pharmaceuticals	257	212	234	10%
Durable Goods	21	1,822	1,714	-6%
Education	7	68	60	-12%
Governmental & Other Nonprofit	173	18	15	-19%
Health Services	19	440	435	-1%
Merchandising	44	544	447	-18%
Nonbanking Financial Services	113	426	882	107%
Nondurable Goods	44	1,868	1,753	-6%
Personal & Business Services	118	299	235	-22%
Petroleum, Mining, Agriculture	8	1,655	1,655	0%
Real Estate, Construction	23	216	216	0%
Technology	506	358	352	-2%
Transportation & Communications	53	244	226	-8%
Utilities	17	4,154	2,980	-28%
All Business Classes	**1,418**	**$ 417**	**$ 426**	**2%**

EXHIBIT 40

Entity/Reimbursement Retention Levels by Asset Size (in thousands) — Public Organizations

	Participants Reporting	No Retention	First Quartile	Median	Third Quartile	Average
$0 - $6 million	55	1	$ 150	$ 250	$ 500	$ 468
$6 million - $10 million	24	0	150	250	450	343
$10 million - $50 million	131	3	200	250	350	532
$50 million - $100 million	91	2	250	500	500	450
$100 million - $400 million	150	6	250	500	750	607
$400 million - $1 billion	72	7	500	500	1000	709
$1 billion - $2 billion	35	5	500	1,000	3,500	2,197
$2 billion - $5 billion	40	6	500	1,000	2,500	2,584
$5 billion - $10 billion	16	4	1,000	2,500	8,750	7,641
Over $10 billion	34	3	2,000	5,000	17,500	10,632
All Size Groups	**648**	**37**	**$ 250**	**$ 500**	**$ 1,000**	**$ 1,467**

EXHIBIT 41

Entity/Reimbursement Retention Levels by Asset Size (in thousands) — Private Organizations

	Participants Reporting	No Retention	First Quartile	Median	Third Quartile	Average
$0 - $6 million	594	37	$ 5	$ 10	$ 25	$ 21
$6 million - $10 million	260	20	8	15	25	29
$10 million - $50 million	343	18	10	25	50	47
$50 million - $100 million	77	0	15	25	75	80
$100 million - $400 million	60	1	31	100	188	224
$400 million - $1 billion	15	1	25	150	250	176
$1 billion - $2 billion	14	0	250	250	625	439
$2 billion - $5 billion	7	0	200	500	1,000	514
$5 billion - $10 billion	3	2	—	—	—	—
Over $10 billion	9	2	6	250	750	813
All Size Groups	**1,382**	**81**	**$ 10**	**$ 15**	**$ 25**	**$ 64**

EXHIBIT 42

Entity/Reimbursement Retention Levels by Asset Size (in thousands) — Nonprofit Organizations

	Participants Reporting	No Retention	First Quartile	Median	Third Quartile	Average
$0 - $6 million	166	24	$ 1	$ 3	$ 5	$ 9
$6 million - $10 million	215	21	3	5	10	8
$10 million - $50 million	37	4	5	15	30	36
$50 million - $100 million	—	—	—	—	—	—
$100 million - $400 million	10	2	21	43	81	52
$400 million - $1 billion	6	1	44	125	438	263
$1 billion - $2 billion	3	1	—	—	—	—
$2 billion - $5 billion	3	1	—	—	—	—
$5 billion - $10 billion	2	0	—	—	—	—
Over $10 billion	1	0	—	—	—	—
All Size Groups	**443**	**54**	**$ 3**	**$ 5**	**$ 10**	**$ 31**

INSURANCE PREMIUM

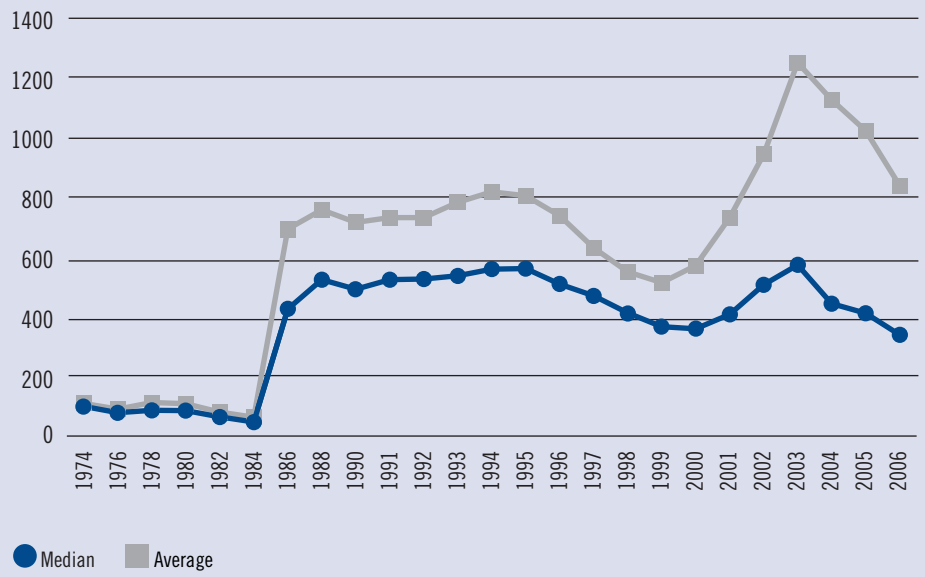
In 1974 we developed a standardized premium index for D&O coverage. The index was established at a value of 100 for the average D&O premium of a typical U.S. for-profit survey respondent — in terms of policy limit, retention and other coverage features. In subsequent surveys, we compared the reported premium to this standard to generate a premium index.

The 2006 index shows an 18% drop in both the average and median premiums of for-profit organizations. However, it's likely that the 2006 index is overstating the premium reductions generally seen in the market. This finding is, once again, due to the new makeup of the 2006 survey participant group. The index would have shown only a 6.5% reduction if we had limited the data to repeat participants for the last two years.

While the dollar amount of downward change in premiums points toward a softening market, it was interesting to observe that nearly the same percentage of companies experienced a premium increase (36%) as those with a decrease (38%). Further, the percentages of companies that reported premium increases, decreases or no change are approximately the same as 2005.

EXHIBIT 43

Premium Index — For-Profit Only



The average premium paid by public organizations was $801,497, and repeat participants showed a 6% overall decline in premiums. Repeat public company participants with assets less than $6 million reported an average premium reduction of 21% compared to only 4% for public companies with assets greater than $10 billion. Private organizations reported paying an average premium of $41,339 (repeat participants reported an average 5% increase) and nonprofits paid $21,537 (repeat participants reported an average 4% decrease).

These premium benchmarks provide a useful initial point of reference for analyzing insurance premium levels. Actual premiums, however, will vary substantially between insureds within the same experience class (size, business class, ownership, etc.) based on underwriters' assessments of the risks associated with the individual organization. In addition, premiums will vary based on other factors, such as the limit, retention and scope of coverage.

EXHIBIT 44

D&O Premium Index Trends — For-Profit Only

Year	First Quartile	Median	Third Quartile	Average
1974	69	90	116	100
1976	51	69	91	81
1978	56	77	109	103
1980	55	76	108	99
1982	36	55	85	71
1984	27	38	60	54
1986	158	415	784	682
1988	344	513	847	746
1990	323	481	804	704
1991	338	513	806	720
1992	346	515	865	720
1993	335	526	910	771
1994	329	548	933	806
1995	340	550	970	793
1996	311	498	895	726
1997	294	459	717	619
1998	257	402	618	539
1999	232	356	568	503
2000	209	349	605	560
2001	215	397	830	720
2002	273	496	1,026	931
2003	244	562	1,756	1,237
2004	213	433	1,506	1,113
2005	210	401	1,374	1,010
2006	187	329	1,052	827

EXHIBIT 45

Changes in Premium by Business Class

	Increased	Decreased	Same
Banking	52%	33%	14%
Biotechnology & Pharmaceuticals	47%	36%	17%
Durable Goods	35%	38%	28%
Education	33%	20%	47%
Governmental & Other Nonprofit	31%	22%	47%
Health Services	46%	32%	21%
Merchandising	29%	39%	31%
Nonbanking Financial Services	32%	48%	20%
Nondurable Goods	38%	46%	16%
Personal & Business Services	35%	49%	16%
Petroleum, Mining, Agriculture	28%	36%	36%
Real Estate, Construction	36%	28%	36%
Technology	36%	47%	17%
Transportation & Communications	38%	40%	21%
Utilities	54%	31%	15%
Other	33%	0%	67%
All Business Classes	**36%**	**38%**	**26%**

EXHIBIT 46

Total Premium by Asset Size

	Participants Reporting	First Quartile	Median	Third Quartile	Average
$0 - $6 million	906	$ 3,364	$ 7,659	$ 14,295	$ 28,023
$6 million - $10 million	604	3,023	7,529	15,211	20,857
$10 million - $50 million	555	13,200	25,887	73,888	86,975
$50 million - $100 million	181	33,224	137,500	448,200	253,846
$100 million - $400 million	234	82,430	338,000	576,526	382,062
$400 million - $1 billion	109	229,672	501,000	867,202	594,277
$1 billion - $2 billion	60	281,844	541,650	1,173,313	837,288
$2 billion - $5 billion	55	533,925	1,073,585	1,623,171	1,251,009
$5 billion - $10 billion	27	896,500	1,835,000	2,727,465	2,002,772
Over $10 billion	48	490,794	2,790,587	5,931,528	3,630,436
All Size Groups	**2,779**	**$ 6,401**	**$ 16,331**	**$ 100,000**	**$ 228,054**

EXHIBIT 47

Total Premium by Asset Size — Repeat Participants for Last Two Years

	Participants Reporting	2005 Average Premium	2006 Average Premium	% Change
$0 - $6 million	445	$ 17,201	$ 16,509	-4%
$6 million - $10 million	412	12,708	16,362	29%
$10 million - $50 million	273	94,871	90,256	-5%
$50 million - $100 million	67	286,575	271,758	-5%
$100 million - $400 million	119	441,509	427,468	-3%
$400 million - $1 billion	51	734,555	650,931	-11%
$1 billion - $2 billion	26	768,773	777,573	1%
$2 billion - $5 billion	28	1,193,986	1,200,453	1%
$5 billion - $10 billion	10	1,601,515	1,541,667	-4%
Over $10 billion	19	3,902,883	3,690,943	-5%
All Size Groups	**1,450**	**$ 201,091**	**$ 193,363**	**-4%**

EXHIBIT 48

Total Premium by Market Capitalization (public only)

	Participants Reporting	First Quartile	Median	Third Quartile	Average
Under $10 million	29	$ 42,038	$ 72,500	$ 338,500	$ 492,337
$10 million - $50 million	92	70,000	111,125	215,000	190,608
$50 million - $100 million	63	120,000	194,000	354,000	294,677
$100 million - $400 million	192	263,325	391,794	514,223	452,589
$400 million - $1 billion	94	354,063	545,382	768,563	579,638
$1 billion - $2 billion	75	597,858	806,952	1,075,831	919,924
$2 billion - $5 billion	51	900,865	1,416,000	2,237,500	1,679,493
$5 billion - $10 billion	19	1,343,940	1,566,000	2,727,465	2,008,795
Over $10 billion	24	2,771,393	4,909,879	6,922,579	6,044,092
All Size Groups	**639**	**$ 200,000**	**$ 447,763**	**$ 811,700**	**$ 828,850**

EXHIBIT 49

Total Premium by Business Class

	Participants Reporting	First Quartile	Median	Third Quartile	Average
Banking	35	$ 25,000	$ 88,630	$ 441,750	$ 598,426
Biotechnology & Pharmaceuticals	405	8,822	22,300	237,500	265,965
Durable Goods	58	12,363	82,500	726,369	466,838
Education	24	4,187	8,687	49,036	59,200
Governmental & Other Nonprofit	528	1,309	2,314	6,000	9,091
Health Services	42	7,741	38,668	470,981	443,881
Merchandising	81	9,963	29,003	230,000	261,072
Nonbanking Financial Services	192	34,031	68,500	229,423	412,214
Nondurable Goods	106	12,176	45,270	422,100	407,122
Personal & Business Services	269	7,714	15,850	78,275	129,628
Petroleum, Mining, Agriculture	33	4,612	22,500	191,000	554,267
Real Estate, Construction	58	2,573	13,341	90,137	140,081
Technology	852	9,094	18,224	86,500	186,781
Transportation & Communications	92	15,352	57,242	449,427	497,544
Utilities	28	102,000	520,650	1,818,625	1,571,687
Other	19	5,385	13,200	77,079	45,895
All Business Classes	**2,822**	**$ 6,394**	**$ 16,240**	**$ 96,671**	**$ 225,062**

EXHIBIT 50

Total Premium by Business Class — Repeat Participants for Last Two Years

	Participants Reporting	2005 Average Premium	2006 Average Premium	% Change
Banking	17	$ 640,413	$ 674,965	5%
Biotechnology & Pharmaceuticals	273	269,840	281,088	4%
Durable Goods	24	576,371	563,965	-2%
Education	11	36,788	34,041	-7%
Governmental & Other Nonprofit	407	9,949	9,182	-8%
Health Services	23	334,161	324,505	-3%
Merchandising	48	209,143	212,505	2%
Nonbanking Financial Services	119	248,407	256,708	3%
Nondurable Goods	49	280,273	298,496	7%
Personal & Business Services	141	122,722	125,698	2%
Petroleum, Mining, Agriculture	20	528,883	530,611	0%
Real Estate, Construction	32	145,882	153,695	5%
Technology	612	197,741	190,720	-4%
Transportation & Communications	57	218,922	241,480	10%
Utilities	18	2,068,726	1,717,519	-17%
All Business Classes	**1,851**	**$ 198,348**	**$ 196,300**	**-1%**

EXHIBIT 51

Total Premium by Asset Size — Public Organizations

	Participants Reporting	First Quartile	Median	Third Quartile	Average
$0 - $6 million	59	$ 40,000	$ 83,200	$ 285,000	$ 232,536
$6 million - $10 million	25	39,765	70,000	136,275	154,402
$10 million - $50 million	137	92,055	184,676	296,250	253,787
$50 million - $100 million	94	241,250	421,042	533,254	414,497
$100 million - $400 million	159	325,000	480,525	695,000	523,037
$400 million - $1 billion	82	354,063	695,341	985,537	726,723
$1 billion - $2 billion	41	507,875	965,875	1,470,629	1,119,960
$2 billion - $5 billion	45	719,528	1,388,000	1,712,872	1,438,370
$5 billion - $10 billion	19	1,427,561	2,206,320	3,734,000	2,485,263
Over $10 billion	36	1,261,856	3,053,784	6,422,799	4,630,915
All Size Groups	**697**	**$ 184,338**	**$ 428,839**	**$ 803,000**	**$ 801,497**

EXHIBIT 52

Total Premium by Asset Size — Private Organizations

	Participants Reporting	First Quartile	Median	Third Quartile	Average
$0 - $6 million	638	$ 5,763	$ 8,893	$ 14,850	$ 17,198
$6 million - $10 million	316	6,560	11,013	18,091	22,034
$10 million - $50 million	372	11,753	19,900	31,871	33,163
$50 million - $100 million	82	23,038	34,030	69,069	82,867
$100 million - $400 million	64	39,716	62,500	93,039	81,272
$400 million - $1 billion	20	38,500	90,660	303,813	199,991
$1 billion - $2 billion	14	83,492	205,000	292,938	198,723
$2 billion - $5 billion	7	135,250	337,079	472,495	374,338
$5 billion - $10 billion	5	232,968	635,000	1,446,203	798,668
Over $10 billion	11	16,151	56,600	700,275	685,863
All Size Groups	**1,529**	**$ 7,502**	**$ 13,100**	**$ 27,050**	**$ 41,339**

EXHIBIT 53

Total Premium by Asset Size — Nonprofit Organizations

	Participants Reporting	First Quartile	Median	Third Quartile	Average
$0 - $6 million	209	$ 996	$ 1,510	$ 2,353	$ 3,337
$6 million - $10 million	263	1,657	3,030	7,200	6,749
$10 million - $50 million	46	4,291	12,873	22,805	25,335
$50 million - $100 million	5	19,704	38,124	55,415	37,672
$100 million - $400 million	11	6,160	65,471	145,000	94,387
$400 million - $1 billion	7	65,334	68,250	344,000	169,295
$1 billion - $2 billion	5	198,849	310,525	414,292	307,361
$2 billion - $5 billion	3	—	—	—	—
$5 billion - $10 billion	3	—	—	—	—
Over $10 billion	1	—	—	—	—
All Size Groups	**553**	**$ 1,373**	**$ 2,439**	**$ 7,349**	**$ 21,537**

INSURANCE CARRIERS

Appendix A contains a comprehensive listing of major underwriters of D&O and their limit capacities. We have changed the format of this appendix. We no longer list markets that have stopped writing D&O insurance, such as Genesis Professional Liability Managers and Oil Casualty Insurance — both of which exited the D&O market since our last survey. In addition, we now list markets by insurer groups. Issuing companies and MGAs are listed under the various insurance company groups.

Our analysis of insurance carriers separates results between primary insurers and excess insurers. Further, we use two measures of market share: policy count and premium volume. We have combined results for individual insurers and reported total numbers under insurer groups (for example, ACE includes ACE Bermuda, CODA, ACE USA, Westchester Specialty and ACE International).

Our reports of market share are based on the data reported by survey participants. Actual total D&O market shares may obviously differ from these results. Nonetheless, these rankings can provide a general indication of relative shares.

As in prior years, AIG and Chubb lead the primary insurers market. Our 2006 results indicate that Chubb is the leader by policy count, with 22% market share, in comparison to ACE (17%) and AIG (16%). AIG is the leader by premium volume with 37% market share, in comparison to Chubb (22%) and XL (7%).

EXHIBIT 54

Market Share for Primary Insurers

	Policy Count	Percent	Rank	Premium Volume	Percent	Rank
A&A Lineslip	5	0.2%	24	$ 602,000	0.2%	19
ACE	435	16.6%	2	10,167,927	3.8%	6
Admiral Insurance Co.	223	8.5%	4	10,856,659	4.1%	5
Aegis	15	0.6%	20	11,384,985	4.3%	4
AIG	428	16.3%	3	99,683,822	37.4%	1
AON Corporation (Virginia Surety)	44	1.7%	12	420,040	0.2%	20
AXIS Financial	8	0.3%	21	302,010	0.1%	21
Berkshire Hathaway Group	27	1.0%	16	2,159,185	0.8%	14
Chubb Insurance Group	571	21.7%	1	58,683,858	22.0%	2
CNA Insurance Companies	82	3.1%	9	1,134,155	0.4%	18
Crum & Forster Group	6	0.2%	22	258,828	0.1%	23
Fireman's Fund	4	0.2%	26	45,491	0.0%	25
Great American Insurance Group	50	1.9%	11	2,102,079	0.8%	15
Hartford	137	5.2%	6	8,746,087	3.3%	8
Houston Casualty	101	3.8%	7	4,199,623	1.6%	12
Liberty International	34	1.3%	13	3,342,344	1.3%	13
Lloyd's of London and Other London Underwriters	85	3.2%	8	10,021,520	3.8%	7
Navigators Insurance	21	0.8%	18	1,455,087	0.5%	17
Old Republic	30	1.1%	15	7,838,406	2.9%	9
Philadelphia Insurance Group	25	1.0%	17	102,007	0.0%	24
QBE Insurance Company	16	0.6%	19	12,698	0.0%	26
RLI	6	0.2%	22	1,786,816	0.7%	16
Travelers	154	5.9%	5	7,412,718	2.8%	10
United Educators Insurance RRG	5	0.2%	24	301,823	0.1%	22
XL Insurance	81	3.1%	10	17,602,235	6.6%	3
Zurich Insurance Company	33	1.3%	14	4,808,505	1.8%	11
Other	26	N/A		1,062,460	0.4%	
All accounts	**2,652**	**100%**		**$266,493,368**	**100%**	

On a policy count basis, AIG and Chubb are also the leading primary insurers for most of the different participant asset size classes (ACE is the market leader for the smallest insureds, i.e., asset size of $6 million or less). On a premium volume basis, AIG is the leader for most asset classes with Chubb close behind.

Depending on an insured's business class, there is a little more variability in the leading primary insurer. On a policy count and premium basis, AEGIS is the market leader for utilities. Across all other industries, on a policy count basis, the leading insurers are most often Chubb and AIG, followed by ACE and Travelers. On a premium volume basis, the leading insurer by industry is most often AIG, followed by Chubb.

AIG, Chubb and XL Insurance are in a close race for market share leader among excess insurers. Based on policy count, XL Insurance is the leader. Based on premium volume, AIG is the leader. ACE and Old Republic round out the top five positions.

EXHIBIT 55
Primary Market Share by Policy Count

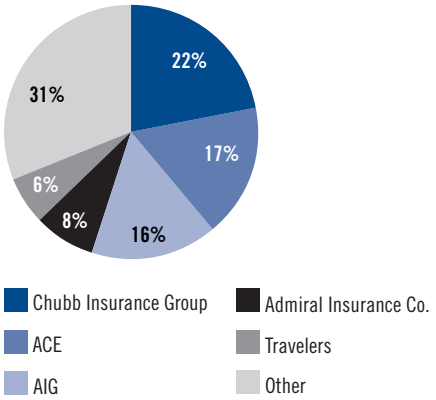


EXHIBIT 56
Primary Market Share by Premium Volume

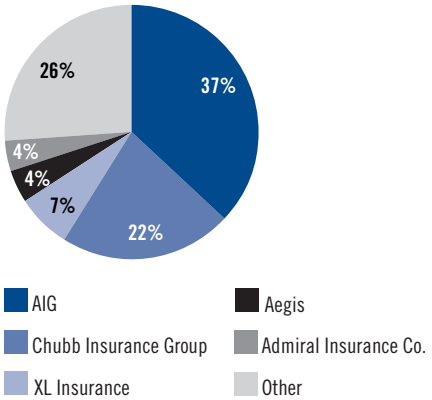


EXHIBIT 57
Leading Primary Insurer by Insured's Asset Size

Asset Size	Insurer	Percent of Policy Count	Percent of Premium Volume
$0 - $6 million	ACE	27%	13%
	Chubb Insurance Group	21%	26%
	Admiral Insurance Co.	9%	7%
	AIG	8%	16%
	Travelers	5%	2%
$6 million - $10 million	Chubb Insurance Group	24%	17%
	ACE	17%	10%
	Travelers	11%	4%
	AIG	9%	15%
	Admiral Insurance Co.	8%	9%
	CNA Insurance Companies	6%	2%
	AON Corporation (Virginia Surety)	5%	1%
$10 million - $50 million	Chubb Insurance Group	20%	13%
	AIG	17%	29%
	ACE	16%	6%
	Admiral Insurance Co.	10%	9%
	Hartford	9%	6%
	Houston Casualty	6%	3%
$50 million - $100 million	AIG	26%	46%
	Chubb Insurance Group	19%	10%
	Admiral Insurance Co.	14%	13%
	ACE	6%	4%
	Houston Casualty	6%	1%
	Travelers	6%	1%

EXHIBIT 57 (continued)

Leading Primary Insurer by Insured's Asset Size

Asset Size	Insurer	Percent of Policy Count	Percent of Premium Volume
$100 million - $400 million	AIG	33%	46%
	Chubb Insurance Group	17%	14%
	Admiral Insurance Co.	8%	5%
	ACE	6%	5%
	Liberty International	6%	5%
$400 million - $1 billion	AIG	36%	48%
	Chubb Insurance Group	26%	18%
	XL Insurance	10%	13%
$1 billion - $2 billion	AIG	30%	41%
	Chubb Insurance Group	23%	20%
	XL Insurance	7%	8%
	Lloyd's of London and Other London Underwriters	7%	7%
	Zurich Insurance Company	5%	3%
	Hartford	5%	2%
$2 billion - $5 billion	Chubb Insurance Group	31%	25%
	AIG	29%	36%
	Aegis	11%	12%
	Lloyd's of London and Other London Underwriters	7%	12%
$5 billion - $10 billion	Chubb Insurance Group	36%	31%
	AIG	32%	52%
	Zurich Insurance	8%	6%
	Houston Casualty	8%	3%
	ACE	8%	3%
Over $10 billion	AIG	33%	30%
	Chubb Insurance Group	24%	41%
	Travelers	13%	6%
	Aegis	7%	14%
	Hartford	7%	4%

EXHIBIT 58

Leading Primary Insurers by Business Class

Business Class	Insurer	Percent of Policy Count	Percent of Premium Volume
Banking	Travelers	24%	29%
	Chubb Insurance Group	21%	18%
	AIG	18%	35%
	Zurich Insurance	9%	3%
	Healthcare Insurance Exchange	9%	2%
	CNA Insurance Companies	6%	6%
	XL Insurance Company	6%	1%
Biotechnology & Pharmaceuticals	AIG	24%	57%
	Chubb Insurance Group	21%	9%
	Admiral Insurance Co.	19%	9%
	ACE	18%	3%
Durable Goods	Chubb Insurance Group	29%	23%
	AIG	16%	38%
	Travelers	13%	14%
	ACE	11%	1%
	Zurich Insurance	5%	9%
	Hartford	5%	0%
Education	Chubb Insurance Group	26%	11%
	United Educators Insurance RRG	17%	20%
	AIG	13%	56%
	Travelers	9%	1%
	Philadelphia Insurance Group	9%	1%
Governmental & Other Nonprofit	Chubb Insurance Group	26%	30%
	Travelers	16%	10%
	CNA Insurance Companies	14%	6%
	AON Corporation (Virginia Surety)	8%	4%
	AIG	8%	25%
Health Services	AIG	30%	51%
	Chubb Insurance Group	24%	38%
	ACE	16%	2%
	Great American Insurance Group	5%	3%
	Zurich Insurance	5%	3%
	Philadelphia Insurance Group	5%	0%

EXHIBIT 58 (continued)

Leading Primary Insurers by Business Class

Business Class	Insurer	Percent of Policy Count	Percent of Premium Volume
Merchandising	AIG	22%	39%
	Chubb Insurance Group	21%	24%
	ACE	18%	12%
	Great American Insurance Group	7%	3%
	Hartford	7%	3%
	Houston Casualty	5%	1%
	Travelers	5%	1%
Nonbanking Financial Services	Chubb Insurance Group	28%	54%
	Houston Casualty	15%	5%
	Hartford	14%	5%
	AIG	10%	14%
	ACE	6%	3%
Nondurable Goods	Chubb Insurance Group	23%	26%
	AIG	22%	32%
	ACE	16%	1%
	Admiral Insurance Co.	9%	5%
Other	Chubb Insurance Group	37%	29%
	AIG	21%	12%
	ACE	11%	19%
	RLI	5%	14%
	Liberty International	5%	13%
	XL Insurance	5%	9%
	Travelers	5%	3%
	Houston Casualty	5%	1%
	Arch Capital	5%	0%
Personal & Business Services	ACE	23%	4%
	AIG	16%	40%
	Chubb Insurance Group	11%	12%
	Admiral Insurance Co.	9%	8%
	Houston Casualty	7%	2%
	Lloyd's of London and Other London Underwriters	6%	1%
Petroleum, Mining, Agriculture	AIG	34%	26%
	Chubb Insurance Group	16%	27%
	Travelers	16%	3%
	ACE	9%	0%
	CNA Insurance Companies	6%	0%

EXHIBIT 58 (continued)

Leading Primary Insurers by Business Class

Business Class	Insurer	Percent of Policy Count	Percent of Premium Volume
Real Estate, Construction	Chubb Insurance Group	19%	10%
	AIG	16%	36%
	CNA Insurance Companies	12%	0%
	Hartford	11%	16%
	ACE	11%	4%
	Great American Insurance Group	7%	8%
	Admiral Insurance Co.	5%	1%
	Travelers	5%	1%
Technology	ACE	26%	6%
	Chubb Insurance Group	21%	19%
	AIG	14%	36%
	Admiral Insurance Co.	10%	6%
	Lloyd's of London and Other London Underwriters	5%	10%
	Hartford	5%	2%
Transportation & Communications	AIG	33%	66%
	Chubb Insurance Group	19%	12%
	ACE	15%	3%
	XL Insurance	7%	14%
	Hartford	7%	1%
	Admiral Insurance Co.	6%	1%
Utilities	Aegis	56%	73%
	AIG	15%	22%
	Zurich Insurance	7%	4%
	Chubb Insurance Group	7%	1%
	ACE	7%	0%

EXHIBIT 59

Market Share for Excess Insurers

Insurer	Policy Count	Count Percent	Count Rank	Premium Volume	Premium Percent	Premium Rank
A&A Lineslip	26	1.4%	19	$ 2,579,288	0.8%	23
ACE	116	6.1%	5	23,813,225	7.1%	4
Admiral Insurance Co.	71	3.8%	10	6,489,090	1.9%	18
Aegis	6	0.3%	26	3,488,960	1.0%	21
AIG	199	10.5%	3	39,992,001	12.0%	1
Allied World Assurance Co. — AWAC	50	2.6%	13	11,589,170	3.5%	10
Arch Capital	58	3.1%	12	9,168,745	2.7%	12
AXIS Financial	43	2.3%	16	6,654,932	2.0%	17
Berkshire Hathaway Group	11	0.6%	23	4,968,501	1.5%	19
Chubb Insurance Group	208	11.0%	2	38,301,074	11.5%	2
CNA Insurance Companies	35	1.9%	18	6,996,354	2.1%	16
Crum & Forster Group	7	0.4%	25	413,500	0.1%	27
Energy Insurance Mutual Limited	13	0.7%	22	9,730,614	2.9%	11
Fireman's Fund	4	0.2%	27	511,924	0.2%	26
Great American Insurance Group	25	1.3%	20	2,588,466	0.8%	22
Hartford	105	5.6%	7	18,918,054	5.7%	6
Houston Casualty	43	2.3%	16	7,747,661	2.3%	15
Hudson Insurance Group	90	4.8%	8	9,010,455	2.7%	13
Liberty International	88	4.7%	9	7,843,132	2.3%	14
Lloyd's of London and Other London Underwriters	61	3.2%	11	13,060,812	3.9%	8
Navigators Insurance	48	2.5%	14	4,040,761	1.2%	20
Old Republic	165	8.7%	4	23,209,583	7.0%	5
RLI	22	1.2%	21	2,381,250	0.7%	24
Royal & SunAlliance	10	0.5%	24	2,187,320	0.7%	25
Travelers	113	6.0%	6	15,490,698	4.6%	7
XL Insurance Company	226	12.0%	1	35,975,129	10.8%	3
Zurich Insurance Company	47	2.5%	15	12,491,217	3.7%	9
Other	37	N/A		14,282,313	4.3%	
All Insurers	**1,927**	**100%**		**$333,924,227**	**100%**	

EXHIBIT 60

Excess Market Share by Policy Count

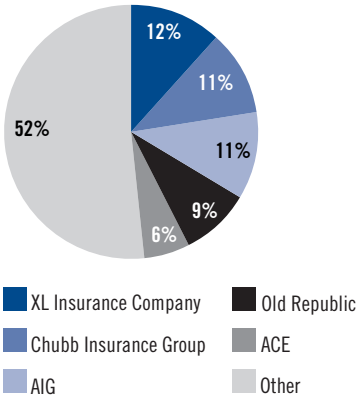
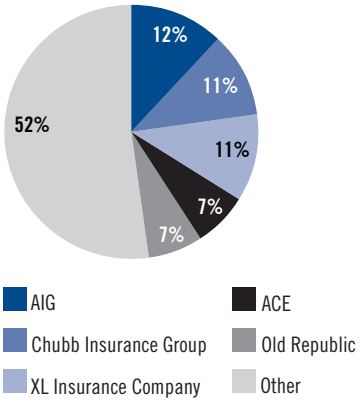


EXHIBIT 61

Excess Market Share by Premium Volume



INSURANCE BROKERS

The survey's insurance broker rankings are based purely on the number of accounts for which participants are the primary D&O broker. These percentages reflect the retail brokerage activities of our 2,875 respondent sample. Actual broker market shares will differ from our survey results.

Based on survey participants, the top four retail insurance brokers, determined by the number of retail primary policies placed, continue to be ABD Insurance, William Gallagher Associates, Woodruff-Sawyer & Co. and Armfield Harrison & Thomas.

As with insurance carriers, brokers in the D&O market often specialize by size or business class of organizations.

EXHIBIT 62

D&O Broker Rankings

Ranking by Number of Retail* Accounts as Primary Broker

	Policy Count	Policy Percent	Count Rank
Acordia	2	0.1%	16
ABD Insurance	712	25.0%	1
Aon	45	1.6%	7
Armfield Harrison & Thomas	553	19.4%	4
NASDAQ Insurance	176	6.2%	5
Arthur J. Gallagher	5	0.2%	14
Hays Group	3	0.1%	15
Hilb Rogal & Hobbs	8	0.3%	13
Holmes Murphy	2	0.1%	16
Lockton	10	0.4%	11
Marsh	58	2.0%	6
McGriff, Seibels & Williams	10	0.4%	11
Offenhauser & Co.	1	0.0%	18
Wachovia Insurance	1	0.0%	18
Sullivan Group	37	1.3%	8
William Gallagher Assoc.	608	21.4%	2
Willis	11	0.4%	10
Woodruff-Sawyer & Co.	567	19.9%	3
Other	37	1.3%	8
All Brokers	**2,846**	**100.0%**	

*Wholesale brokers' activities are not measured here.

EXHIBIT 63

Leading Brokers by Asset Size

Asset Size	Insurer	Policy Percent
$0 - $6 million	ABD Insurance	34%
	William Gallagher Assoc.	32%
	Woodruff-Sawyer & Co.	19%
	Armfield Harrison & Thomas	11%
$6 million - $10 million	Armfield Harrison & Thomas	58%
	ABD Insurance	21%
	William Gallagher Assoc.	11%
	Woodruff-Sawyer & Co.	8%
$10 million - $50 million	ABD Insurance	27%
	William Gallagher Assoc.	26%
	Woodruff-Sawyer & Co.	25%
	Armfield Harrison & Thomas	13%
	NASDAQ Insurance	7%
$50 million - $100 million	Woodruff-Sawyer & Co.	28%
	William Gallagher Assoc.	24%
	ABD Insurance	24%
	NASDAQ Insurance	16%
	Armfield Harrison & Thomas	5%
$100 million - $400 million	Woodruff-Sawyer & Co.	31%
	ABD Insurance	22%
	William Gallagher Assoc.	20%
	NASDAQ Insurance	19%
$400 million - $1 billion	Woodruff-Sawyer & Co.	29%
	NASDAQ Insurance	20%
	ABD Insurance	13%
	William Gallagher Assoc.	12%
	Marsh	10%
$1 billion - $2 billion	Woodruff-Sawyer & Co.	38%
	Aon	18%
	NASDAQ Insurance	11%
	Marsh	11%
	ABD Insurance	7%
	Willis	5%
	William Gallagher Assoc.	5%

EXHIBIT 63 (continued)

Leading Brokers by Asset Size

Asset Size	Insurer	Policy Percent
$2 billion - $5 billion	Marsh	22%
	Aon	17%
	Woodruff-Sawyer & Co.	13%
	NASDAQ Insurance	13%
	Lockton	7%
	ABD Insurance	7%
	McGriff, Seibels & Williams	6%
$5 billion - $10 billion	Marsh	41%
	Aon	26%
	Woodruff-Sawyer & Co.	11%
	ABD Insurance	11%
Over $10 billion	Marsh	36%
	Aon	22%
	Woodruff-Sawyer & Co.	18%
	McGriff, Seibels & Williams	7%

EXHIBIT 64

Leading Brokers by Business Class

Business Class	Insurer	Percent
Banking	Armfield Harrison & Thomas	25%
	ABD Insurance	22%
	Woodruff-Sawyer & Co.	16%
	NASDAQ Insurance	9%
	Aon	6%
	Lockton	6%
	Marsh	6%
	William Gallagher Assoc.	6%
Biotechnology & Pharmaceuticals	William Gallagher Assoc.	58%
	Woodruff-Sawyer & Co.	17%
	ABD Insurance	13%
	NASDAQ Insurance	7%
Durable Goods	Woodruff-Sawyer & Co.	29%
	ABD Insurance	16%
	Marsh	11%
	William Gallagher Assoc.	9%
	Aon	7%
	NASDAQ Insurance	5%
Education	ABD Insurance	59%
	Armfield Harrison & Thomas	9%
	Sullivan Group	9%
Governmental & Other Nonprofit	Armfield Harrison & Thomas	56%
	ABD Insurance	36%
Health Services	ABD Insurance	32%
	Woodruff-Sawyer & Co.	16%
	Marsh	16%
	William Gallagher Assoc.	13%
	Armfield Harrison & Thomas	8%
	NASDAQ Insurance	8%
Merchandising	ABD Insurance	29%
	Woodruff-Sawyer & Co.	28%
	William Gallagher Assoc.	10%
	NASDAQ Insurance	10%
	Aon	6%
	Armfield Harrison & Thomas	5%
	Marsh	5%
Nonbanking Financial Services	Woodruff-Sawyer & Co.	36%
	William Gallagher Assoc.	30%
	ABD Insurance	10%
	NASDAQ Insurance	6%
	Armfield Harrison & Thomas	5%

EXHIBIT 64 (continued)

Leading Brokers by Business Class

Business Class	Insurer	Percent
Nondurable Goods	ABD Insurance	33%
	Woodruff-Sawyer & Co.	32%
	Marsh	11%
	William Gallagher Assoc.	8%
	Aon	7%
	NASDAQ Insurance	5%
Other	Sullivan Group	5%
	William Gallagher Assoc.	63%
	ABD Insurance	21%
	NASDAQ Insurance	11%
Personal & Business Services	ABD Insurance	44%
	Woodruff-Sawyer & Co.	31%
	William Gallagher Assoc.	9%
	NASDAQ Insurance	9%
Petroleum, Mining, Agriculture	ABD Insurance	50%
	NASDAQ Insurance	19%
	Woodruff-Sawyer & Co.	6%
	McGriff, Seibels & Williams	6%
	Marsh	6%
	Aon	6%
Real Estate, Construction	ABD Insurance	51%
	Woodruff-Sawyer & Co.	21%
	Sullivan Group	5%
	Armfield Harrison & Thomas	5%
	William Gallagher Assoc.	5%
	Marsh	5%
Technology	William Gallagher Assoc.	25%
	Woodruff-Sawyer & Co.	24%
	Armfield Harrison & Thomas	22%
	ABD Insurance	19%
	NASDAQ Insurance	8%
Transportation & Communications	ABD Insurance	30%
	William Gallagher Assoc.	25%
	NASDAQ Insurance	16%
	Woodruff-Sawyer & Co.	13%
	Marsh	7%
Utilities	Marsh	21%
	McGriff, Seibels & Williams	21%
	ABD Insurance	14%
	Aon	11%
	Woodruff-Sawyer & Co.	7%
	Acordia	7%

CLAIMS

The survey claim information is unique compared to the premium, limit and other D&O insurance information we report because it is reflective of data beyond the current year. In fact, survey participants were asked to provide information on all D&O liability claims experienced over the past 10 years. For repeat participants, we captured loss information on any settled claims over the past 10 years (11-year-old claims are no longer included), as well as information on any new claims in the last year. Although comparisons to prior years are less meaningful, we do show historical frequency trends of for-profit respondents.

In 2006, 395 of the 2,875 participants (14%) reported a total of 1,290 claims made over an approximate 10-year period from 1996 through mid-2006. Forty-six percent of these claims have been closed.

We have historically measured claim susceptibility and frequency. "Claim susceptibility" is the percentage of participants that reported one or more claims over the 10-year experience period. A claim susceptibility of 10% would indicate that a 10th of all survey participants had at least one claim sometime during the 10-year experience period. For 2006, the claim susceptibility is 14%. "Claim frequency" is the average number of claims per participant over the 10-year experience period. A claim frequency of 0.25 would indicate that 100 entities reported a total of 25 claims over the 10-year experience period. For 2006, the claim frequency is 0.45.

EXHIBIT 65

Claim Incidence by Asset Size — For-Profit Only

Participant Size	Susceptibility	Frequency
Up to $100 million	11%	0.16
$100 million - $400 million	28%	0.47
$400 million - $1 billion	37%	0.68
$1 billion - $2 billion	34%	0.96
$2 billion - $5 billion	35%	0.73
$5 billion - $10 billion	36%	0.61
Over $10 billion	50%	1.28
All Size Groups	**16%**	**0.28**

EXHIBIT 66

Claim Incidence by Asset Size — For-Profit Only; Repeat Participants for Last Two Years

	Susceptibility		Frequency	
Participant Size	2005	2006	2005	2006
Up to $100 million	13%	14%	0.18	0.20
$100 million - $400 million	43%	43%	0.77	0.76
$400 million - $1 billion	35%	48%	0.60	0.73
$1 billion - $2 billion	50%	46%	1.25	1.21
$2 billion - $5 billion	41%	45%	0.90	1.00
$5 billion - $10 billion	38%	38%	0.88	0.88
Over $10 billion	55%	59%	1.18	1.27
All Size Groups	**18%**	**20%**	**0.30**	**0.32**

As in past years, there is a strong correlation between the size of an organization and the susceptibility to and frequency of D&O claims. Larger participants are more susceptible to D&O claims and are more prone to multiple claims.

By business class, the Health Services and Utilities industries are most susceptible to D&O claims. The Health Services industry is far and away experiencing the highest claims frequency.

As for ownership structure influences, public companies show significantly higher claim susceptibility (31%) than private (9%) and nonprofit organizations (4%). However, nonprofit organizations reported twice the claim frequency levels (1.16) of public companies (0.57), with private organizations a distant third (0.14).

Claimant distribution is heavily dependent on ownership structure. For example, 92% of claims against nonprofit organizations were brought by employees, compared to only 21% of claims against public companies. Shareholders were the claimants in 49% of claims against public companies. Derivative actions represented 21% of all shareholder claims.

EXHIBIT 67

Claim Incidence by Asset Size — Nonprofit Only

Participant Size	Susceptibility	Frequency
Up to $100 million	2%	0.03
$100 million - $1 billion	30%	2.65
Over $1 billion	50%	49.25
All Size Groups	**4%**	**1.18**

EXHIBIT 68

Claim Incidence by Asset Size — Nonprofit Only; Repeat Participants for Last Two Years

	Susceptibility		Frequency	
Participant Size	**2005**	**2006**	**2005**	**2006**
Up to $100 million	3%	3%	0.03	0.04
$100 million - $1 billion	13%	38%	5.63	6.25
Over $10 billion	38%	38%	67.63	72.50
All Size Groups	3%	4%	1.44	1.55

For-profit companies indicated that 30% of all their claims were class actions, the same as in 2004 but down from 35% in 2005. Class actions have historically been the most expensive type of D&O claim. Derivative action claims represented 12% of all claims reported by participants, down from 17% last year and consistent with a long-term decline. We expect this trend may reverse as a result of the recent stock option backdating claim scandal.

Shareholder lawsuits were filed in federal court or with a federal agency in 57% of claims.

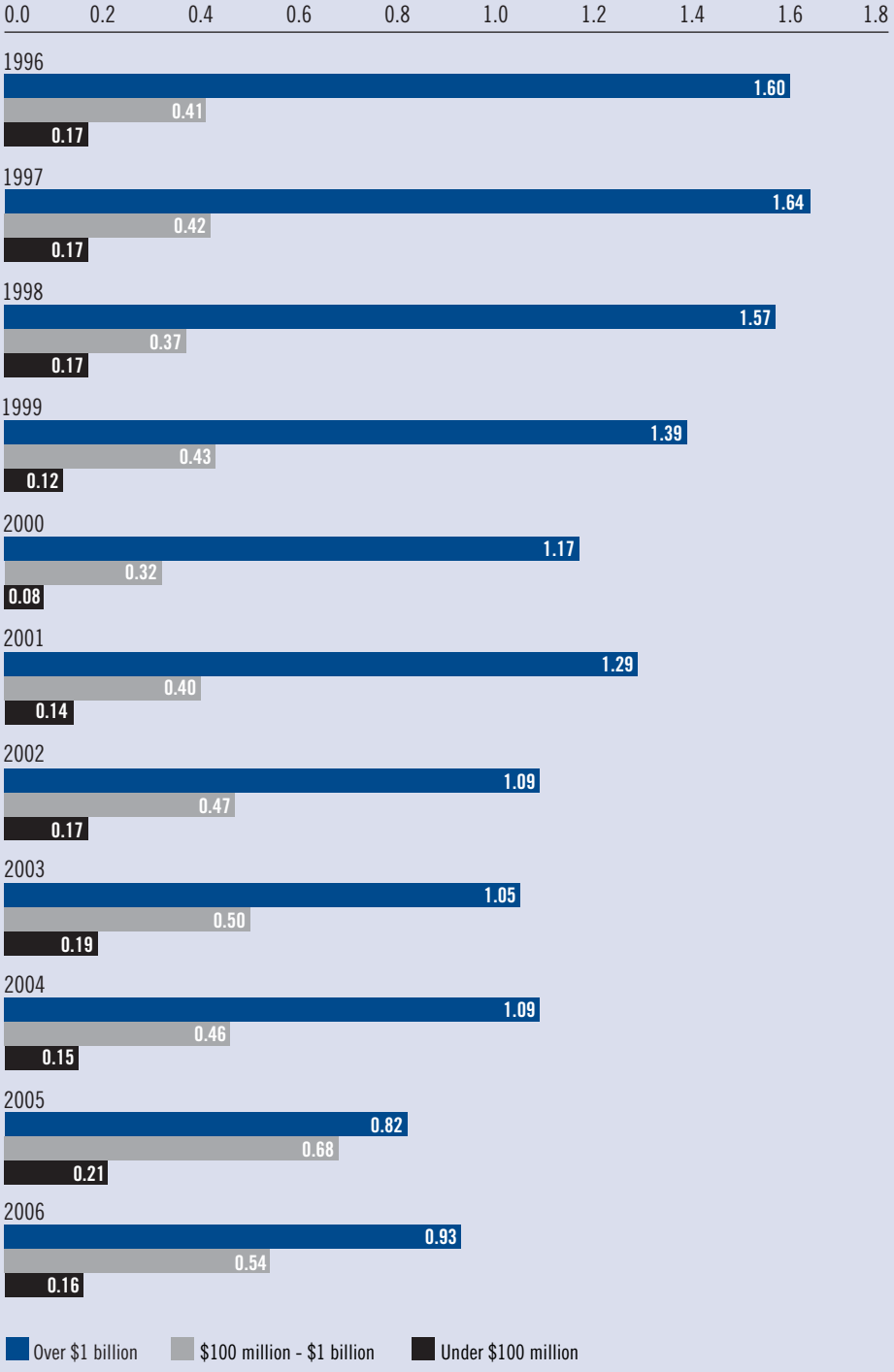
As previously noted, 46% of claims reported in our survey were closed. The majority (61%) of these claims were closed by settlement. Twenty-seven percent were closed when the claim was dropped by the claimant, and only 12% were closed by litigation.

Similar to 2005 survey results, organizations reported that only 32% of the claims were fully indemnifiable by the organization. Sixty percent reported that the indemnification was still undecided.

Only 12% of all claims were fully covered by insurance and 60% of participants reported uncertainty as to coverage for a claim. This is most likely due to the complexity of both the D&O insurance policy language and the D&O claims. Claims that were outside the policy language were only reported in 4% of the claims.

EXHIBIT 69

Frequency Trends by Asset Size (by survey year) — For-Profit Only



Our survey results indicated that 6% of open claims reported by participants were in dispute. The most frequent issue surrounding a claim dispute was coverage denial (47% of the disputed claims).

The average closed claim, regardless of source, was approximately $4.3 million (down from $4.8 million in 2005). The median, however, is only $54,000, because most of the claims included are from the claimant class employees/union/physicians. Claims from shareholders averaged $24 million, while the average employee claim was only $130,494.

Defense costs are a significant contributor to overall D&O loss experience. The average D&O claim defense cost reported was approximately $800,000. This obviously varies substantially based on the source of the D&O claim. The average is consistent with the 2005 survey's reported numbers, but is higher than the 2004 reported cost of $370,000 per claim.

Note that the aforementioned numbers are not inflation-adjusted — nor do they reflect the possibility that the open claims reported will eventually close for greater amounts, on average. Thus, the ultimate claim cost in today's dollars could be substantially higher.

EXHIBIT 70
Claim Incidence by Business Class

	Susceptibility	Frequency
Banking	26%	0.74
Biotechnology & Pharmaceuticals	11%	0.15
Durable Goods	22%	0.33
Education	25%	0.46
Governmental & Other Nonprofit	2%	0.03
Health Services	30%	14.66
Merchandising	21%	0.39
Nonbanking Financial Services	17%	0.42
Nondurable Goods	15%	0.25
Personal & Business Services	18%	0.32
Petroleum, Mining, Agriculture	15%	0.30
Real Estate, Construction	10%	0.19
Technology	16%	0.24
Transportation & Communications	22%	0.33
Utilities	35%	0.71
Other	0%	0.00
All Business Classes	**14%**	**0.45**

EXHIBIT 71
Claim Trends by Ownership

	Susceptibility			Frequency		
	2004	2005	2006	2004	2005	2006
Public	27%	35%	31%	0.559	0.618	0.569
Private	8%	10%	9%	0.124	0.178	0.141
Nonprofit	5%	6%	4%	1.342	1.532	1.160

As for sources and allegations of D&O claims, both private and public organizations have the same top three claim allegations from shareholder claimants (although not in the same order):

- inadequate/inaccurate disclosure, including financial reporting
- stock or other public offering
- general breach of fiduciary duty.

For all ownership types, wrongful termination was the most frequently cited employee claim allegation.

In conclusion, lower premiums and broader coverage are clear-cut indications of a continuing soft insurance market. What's more, there is no sign of impending changes — even as a result of stock option backdating claims. As indicated by the level of inquiries companies have received from directors and officers, interest in D&O insurance, especially Side A only coverage, remains strong. On the other hand, claim frequency and average claim severity have both shown declines. As a result of strong and stable equity markets and improved corporate governance, there has been a similar reduction in the frequency of class action securities claims.

Not surprisingly, D&O insurers' use of independent corporate governance ratings as part of their underwriting assessment has grown in tandem with the development of organizations providing these ratings. Good corporate governance may reduce both the liability risk and the premium an underwriter will charge for D&O insurance. Indeed, corporate governance and the overall management of D&O risk are significant components of an organization's effective enterprise risk management (ERM) program.

EXHIBIT 72
Claimant Distribution by Ownership

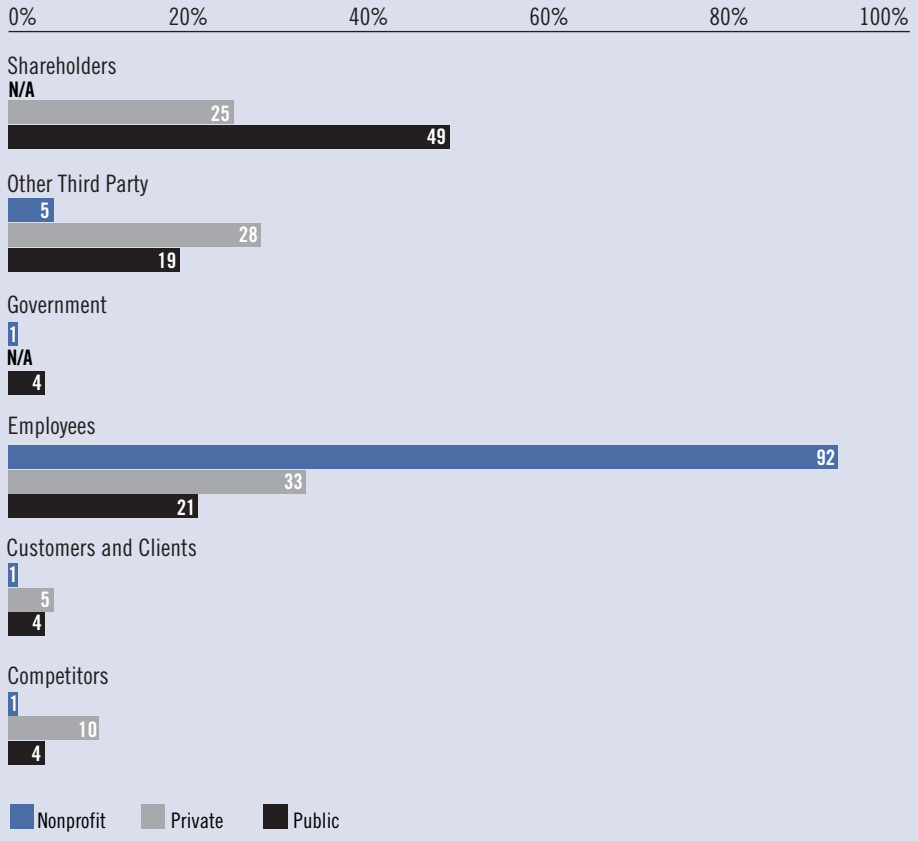
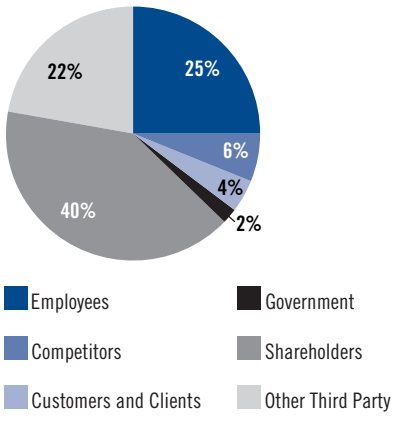


EXHIBIT 73
Claimant Distribution — For-Profit Only



Companies are under increasing pressure to demonstrate to stakeholders that they understand and effectively manage risks across the organization. However, although companies face a broad range of risks in the normal course of business, the risks are not equal in their importance. ERM helps managers focus on risks that have the biggest impact — both positive and negative — on their ability to achieve strategic goals.

D&O liability is one of the key risks that companies need to focus on as a result of its potentially high impact on the organization. But all too often companies concentrate on the potential negative influences of D&O liability, such as class action securities claims. In fact, managing D&O liability risk can have many positive influences, such as improved decision making through better corporate governance and the retention/attraction of strong directors and officers, which can move the organization that much closer to achieving its strategic goals.

We welcome your feedback on this year's report. Kindly send your questions or comments to Michael F. Turk at *michael.f.turk@towersperrin.com* or call him at 203-351-5193.

EXHIBIT 74
D&O Venues by Type of Claimant

	Claimant		
Venue	**Employees**	**Shareholders**	**Others**
Federal	10%	57%	17%
State	39%	33%	33%
Federal and State	1%	4%	1%
Other Venue	50%	7%	49%

EXHIBIT 75
Disposition of D&O Claims

Status	**Percent of All Claims**	**Percent of Closed Claims**
Closed Claims		
Closed by litigation	6%	12%
Closed by settlement	28%	61%
Dropped by claimants	12%	27%
Total Closed	**46%**	
Open Claims		
Still open, awaiting trial	53%	
Tried but being appealed	1%	
Total Open	**54%**	

EXHIBIT 76
Indemnification of D&O Claims (excludes claims where entity is the only defendant)

Partial indemnification	4%
Full indemnification	32%
Undecided	60%
No indemnification	4%

EXHIBIT 77

Insurance Coverage of Claims by Claim Disposition

	Closed Coverage	Open Claims	All Claims
Full coverage (except for deductible)	11%	13%	12%
Partial coverage	13%	19%	15%
No insurance carried	0%	1%	0%
Claim amount less than deductible	12%	2%	8%
Claim outside policy language	3%	6%	4%
Uncertainty as to coverage	61%	60%	60%

EXHIBIT 78

Principal Reason for Disputed Claims

	U.S.
Allocation issue	21%
Coverage denial	47%
Misrepresentation	0%
Other	33%

EXHIBIT 79

Payments to Claimants by Type of Claimant

Claimant Class	Median	Average
Employees/Unions/Physicians	$ 25,000	$ 130,494
Competitors/Suppliers/Contractors	—	—
Customers/Clients/Students	30,000	231,763
Governmental/Other	325,000	360,969
Shareholders/Investors	1,600,000	23,919,879
All Claimants	**$ 54,000**	**$ 4,256,187**

EXHIBIT 80

Defense Costs by Type of Claimant

(excludes claims closed with no payment to claimant)

Claimant Class	Median	Average
Employees/Unions/Physicians	$ 18,475	$ 52,509
Competitors/Suppliers/Contractors	500,000	1,181,126
Customers/Clients/Students	400,000	813,609
Governmental/Other	196,561	1,234,874
Shareholders/Investors	950,000	2,826,026
All Claimants	**$ 44,409**	**$ 800,360**

EXHIBIT 81

Defense Costs by Type of Claimant — Repeat Participants for Last Two Years

(excludes claims closed with no payment to claimant)

	Median		Average	
Participant Size	2005	2006	2005	2006
Employees/Unions/Physicians	$ 17,288	$ 18,471	$ 44,208	$ 48,767
Competitors/Suppliers/Contractors	—	267,130	—	526,026
Customers/Clients/Students	158,093	158,093	321,995	321,995
Governmental/Other	490,000	243,444	1,762,828	1,398,394
Shareholders/Investors	750,000	900,000	2,140,343	2,798,404
All Claimants	**$ 33,750**	**$ 38,952**	**$ 549,177**	**$ 678,263**

EXHIBIT 82

Defense Costs by Disposition of Claims

(excludes claims closed with no payment to claimant)

Status	First Quartile	Median	Third Quartile	Average
Closed Claims				
Closed by litigation	$63,000	$520,000	$2,000,000	$1,198,677
Closed by settlement	10,978	40,994	140,232	448,293
Dropped by claimants	4,118	10,000	96,250	337,311
Open Claims				
Still open, awaiting trial	10,000	55,571	1,000,000	1,662,073
Tried but being appealed	—	—	—	—
All Claimants	**$10,000**	**$ 44,843**	**$ 322,766**	**$ 795,805**

EXHIBIT 83

D&O Claim Allegations From Shareholder Claimants by Ownership

	Ownership	
Allegations	**Private**	**Public**
Accounting fraud	0%	2%
Bid or threat by another company to take over your company	2%	1%
Bid or threat by your company to take over another company	2%	0%
Breach of duty to minority shareholder(s)	4%	4%
Challenge to takeover defense measure	2%	1%
Conflict of interest	0%	0%
Construction activities	0%	0%
Contract dispute (not relating to construction)	9%	2%
Dishonesty/fraud (not accounting fraud)	0%	3%
Divestiture or spinoff	2%	1%
Dividend declaration or change	0%	0%
Fraudulent conveyance	0%	0%
General breach of fiduciary duty	18%	12%
Golden parachutes/Executive compensation	2%	4%
Inadequate employee supervision	0%	1%
Inadequate/inaccurate disclosure, including financial reporting	20%	37%
Investment or loan decision (not derivatives)	2%	0%
Loss or bankruptcy/Financial performance	0%	2%
Merger or acquisition — another company the survivor	2%	1%
Merger or acquisition — your company the survivor	4%	3%
Other shareholder/investor issues (specify)	4%	8%
Proxy/consent solicitation	0%	1%
Purchase of goods or services	0%	0%
Recapitalization	5%	1%
Repurchase or bid to repurchase securities	4%	1%
Stock or other public offering	16%	19%
Transactions in derivatives or other similar financial transactions	0%	0%
Use of inside information	4%	2%

EXHIBIT 84

D&O Claim Allegations From Employee Claimants by Ownership

	Ownership		
Allegations	**Public**	**Private**	**Nonprofit**
Breach of contract	10%	8%	2%
Breach of employment contract (not termination)	7%	8%	0%
Defamation	3%	0%	1%
Discrimination (specify age/race/sex/etc.)	14%	22%	10%
Employment conditions/Safety	1%	0%	0%
Failure to hire or promote	0%	0%	8%
Harassment/Humiliation	1%	5%	1%
Other employee/trade union issues (specify)	6%	8%	31%
Pension, welfare or other employee benefit dispute (not salary, wage or compensation)	0%	6%	0%
Retaliation/Whistle-blower	3%	4%	1%
Salary, wage or compensation dispute	7%	8%	4%
Union or other contract group	0%	0%	0%
Wrongful employee dismissal or termination	49%	30%	39%

EXHIBIT 85

Number of Claims by Source and Allegation

		Reported Claims	% of All Claims
Past, current or prospective employees or unions, including faculty	Breach of contract	29	2.3%
	Breach of employment contract (not termination)	15	1.2%
	Defamation	11	0.9%
	Discrimination (specify age/race/sex/etc.)	90	7.2%
	Employment conditions/Safety	2	0.2%
	Failure to hire or promote	52	4.2%
	Harassment/Humiliation	12	1.0%
	Pension, welfare or other employee benefit dispute (not salary, wage or compensation)	8	0.6%
	Retaliation/Whistle-blower	14	1.1%
	Salary, wage or compensation dispute	36	2.9%
	Wrongful employee dismissal or termination	297	23.7%
	Other employee/trade union issues (specify)	201	16.0%
Physicians and allied health professionals (not employees)	Contract dispute	2	0.2%
Competitors, suppliers and other contractors	Antitrust/Anti-combine	3	0.2%
	Business interference	9	0.7%
	Contract dispute	12	1.0%
	Copyright/Patent infringement	12	1.0%
	False advertising/Deceptive trade practices	5	0.4%
	Other competitor/supplier/contractor issues (specify)	1	0.1%
Customers, clients, ratepayers,	Contract dispute	6	0.5%
	Cost/Quality of product or service	3	0.2%
	Debt collection, including foreclosure	1	0.1%
	Dishonesty/Fraud	2	0.2%
	Environmental/Safety	2	0.2%
	False advertising/Deceptive trade practices	6	0.5%
	Harassment/Humiliation	1	0.1%
	Lender liability	3	0.2%
	Other customer/client/ratepayer/student/volunteer/consumer issues (specify)	6	0.5%
Government and regulatory agencies	Antitrust/Anti-combine	1	0.1%
	Dishonesty/Fraud	4	0.3%
	Other governmental/regulatory issues (specify)	12	1.0%
Other third-party claimants	All other third-party claimant issues (specify)	125	10.0%
	Civil rights/Human rights, incl. discrimination	1	0.1%
	Contract dispute	12	1.0%
	General breach of fiduciary duty	7	0.6%
	Political contributions or activities	1	0.1%

EXHIBIT 85 (continued)

Number of Claims by Source and Allegation

		Reported Claims	Percent of All Claims
Shareholders and other investors, including partners and members, prior owners of an acquired business and present owners of a previously owned business	Accounting fraud	4	0.3%
	Bid or threat by another company to take over your company	2	0.2%
	Bid or threat by your company to take over another company	1	0.1%
	Breach of duty to minority shareholder(s)	9	0.7%
	Challenge to takeover defense measure	3	0.2%
	Contract dispute (not relating to construction)	8	0.6%
	Dishonesty/fraud (not accounting fraud)	6	0.5%
	Divestiture or spinoff	2	0.2%
	General breach of fiduciary duty	34	2.7%
	Golden parachutes/Executive compensation	8	0.6%
	Inadequate employee supervision	1	0.1%
	Inadequate/inaccurate disclosure, including financial reporting	82	6.5%
	Investment or loan decision (not derivatives)	1	0.1%
	Loss or bankruptcy/Financial performance	3	0.2%
	Merger or acquisition — another company the survivor	3	0.2%
	Merger or acquisition — your company the survivor	7	0.6%
	Proxy/consent solicitation	1	0.1%
	Recapitalization	4	0.3%
	Repurchase or bid to repurchase securities	3	0.2%
	Stock or other public offering	45	3.6%
	Use of inside information	5	0.4%
	Other shareholder/investor issues (specify)	17	1.4%

APPENDIX A

DIRECTORS AND OFFICERS LIABILITY SURVEY INSURANCE MARKET SUMMARY

COMPANY		CONTACT	CAPACITY (IN MILLIONS)		COMMENTS
ACE					
	ACE Bermuda	Patrick Tannock Senior Vice President — Underwriting ACE Bermuda Insurance Ltd. 30 Woodbourne Avenue P.O. Box HM 1015 Hamilton HM 08 Bermuda 441-295-5200 e-mail: patrick.tannock@ace.bm Web: www.acelimited.com or www.ace.bm	2006	$50	All classes.
	CODA (Corporate Officers & Directors Assurance, Ltd.)	Patrick Tannock Senior Vice President — Underwriting ACE Bermuda Insurance Ltd. 30 Woodbourne Avenue P.O. Box HM 1015 Hamilton HM 08 Bermuda 441-295-5200 e-mail: patrick.tannock@ace.bm Web: www.acelimited.com or www.ace.bm	2006	$75	All classes. NOTE: Non-indemnifiable coverage only. Primary, excess D/C or follow form excess. Maximum capacity is $75 million, including ACE capacity. Subsidiary of ACE Bermuda Insurance Ltd.
	ACE USA	Tim O'Donnell, President ACE Professional Risk 140 Broadway New York, NY 10005 646-458-7004 646-458-6880 (fax) e-mail: timothy.o'donnell@ace-ina.com Web: www.aceprofessionalrisk.com	2006	$25	All classes. Retail brokers. Writes on Illinois Union paper.
	Westchester Specialty	David Lupica, President Professional Risk Westchester Specialty 500 Colonial Center Parkway, #200 Roswell, GA 30076 678-795-4263 678-795-4150 (fax) e-mail: david.lupica@ace-ina.com Web: www.aceprofessionalrisk.com	2006 Side A	$10 $15	All classes. Wholesale brokers.
	ACE International	Ben Ingram, Senior Vice President D&O Nicholas Small, Senior Vice President Financial Lines D&O ACE International ACE Building 100 Leadenhall Street London EC3A 3BP 011-44-20-7173-7972 e-mail: ben.ingram@ace-ina.com nick.small@ace-ina.com Web: www.aceltd.com	2006	$25	ACE International writes international accounts, excluding U.S.-headquartered corporations, with a capacity of $25 million primary or excess. ACE will consider all classes of accounts, including financial institutions. Local underwriters and local language policy forms in most international countries.
AEGIS		Karen P. Larson, Vice President AEGIS Insurance Services, Inc. 1 Meadowlands Plaza E. Rutherford, NJ 07073 201-508-2804 e-mail: karenlarson@aegislimited.com Web: www.aegislimited.com	2006	$35	Utilities, energy, related energy and public power.

COMPANY	CONTACT	CAPACITY (IN MILLIONS)		COMMENTS
American International Group				
National Union	Heather Fox, SVP & Chief Und. Officer National Union Fire Insurance Co. 175 Water Street New York, NY 10038 212-458-1034 212-458-2965 (fax) e-mail: heather.fox@aig.com Web: www.aig.com	2006	$50	All classes. Contact is Scott Meyer for financial institutions business, Brian Inselberg for private company and nonprofit business, Peter McKenna for public company accounts with annual revenue of $700MM and John Bendetta for public company accounts with annual revenue of $700MM or greater. James Shea is the contact for International D&O business.
Lexington	Frank Forde, Vice President Lexington Insurance Company 100 Summer St. Boston, MA 02110-2103 617-330-8328 617-439-4733 (fax) e-mail: frank.forde@aig.com	2006	$10	Subsidiary of AIG. Product lines include D&O, D&O Not-For-Profit, Financial Institution Fidelity Bond, Bankers Professional Liability, Trust Department Errors & Omissions and Pension Trust/Fiduciary Liability Coverage. Focus is on North American (U.S. and Canada) and Caribbean financial institutions, financial service company businesses including insurance companies, REITs, finance companies, mortgage bankers/ brokers. Business written on a primary, excess and quota share basis. Contact for not-for-profit and financial institutions is Elizabeth Ryan 617-330-4002 and Ching Lee 617-330-8577.
Starr Excess Liability Insurance International Ltd.	Jason Trueman, Vice President Financial Lines Manager Starr Excess 29 Richmond Road Pembroke HM 08 Bermuda 441-298-5373 e-mail: jason.trueman@aig.com Web: www.starrexcess.com	2006 Max Available Max Preferred	 $150 $50	All classes.
Arch Insurance (Bermuda)	Tony Hay, Senior Vice President Underwriting Manager Professional Lines Arch Bermuda 11 Victoria Street, 4th Floor Victoria Hall P.O. Box HM 129 Hamilton HM 11 Bermuda 441-278-9273 441-278-9276 (fax) e-mail: tony.hay@archinsurance.bm Web: www.archinsurance.bm	2006	$25	All classes.
AWAC (Allied World Assurance Company, Ltd.)	David Bell, Senior Vice President Global Professional Lines Manager AWAC 27 Richmond Road Pembroke HM 08 Bermuda 441-278-5416 e-mail: david.bell@awac.com Web: www.awac.com	2006	$25	All classes. U.S. contact: Thomas Kennedy (thomas.kennedy@awac.com), Europe contact: Ian Theato (ian.theato@awac.com).

COMPANY	CONTACT	CAPACITY (IN MILLIONS)		COMMENTS
Axis Capital				
Axis Professional Lines	John A. Kuhn Division President & Global Leader Axis Insurance 300 Connell Drive, Suite 2000 P.O. Box 357 Berkeley Heights, NJ 07922-0357 908-508-4302 908-508-4301 (fax) e-mail: john.kuhn@axiscapital.com Web: www.axiscapital.com	2006	$25	D&O Insurance for publicly traded and privately held companies of all sizes. Commercial accounts, financial institutions and not-for-profit organizations.
Professional Risk Facilities, Inc.	Stephen Cavallaro, Underwriting Manager Professional Risk Facilities, Inc. 1122 Franklin Avenue, 2nd Floor Garden City, NY 11530 516-408-5736 516-747-6074 (fax) e-mail: scavallaro@professionalrisk.com	2006	$5	All classes except financial institutions and public companies. Underwriting manager/program administrator for AXIS. Utilizes Privatus Policy with AXIS which is admitted in 40 states. AXIS Surplus Insurance Company (non-admitted) paper is utilized in the remaining states. Also writes nonprofit organizations.
BancInsure	Barbara Ewing Vice President, Bond and D&O Underwriting BancInsure 5005 N. Lincoln Blvd. Oklahoma City, OK 73015 800-682-1630 or 405-290-7521 e-mail: bewing@bancinsure.com Web: www.bancinsure.com	2006	$10	Offers primary financial institution D&O coverage in all states except FL, NH, and NY. Entity coverage for employment practices, trust department E&O, bankers E&O and professional liability, lenders liability and mutual funds and annuities sales. Bankers E&O extends policy to cover the actual financial institutions and employees.
Beazley Group plc	Fred Murnane Specialty Lines Beazley Group 230 Park Avenue, Suite 121 New York, NY 10169 646-943-5902 877-567-2535 (fax) e-mail: Fred.murnane@beazley.com Web: www.beazley.com	2006	$10	Primary or excess for commercial risks. Issuing companies: Beazley Insurance Company, Inc. and Omaha Property/Casualty Insurance Company (California only).
Catlin Inc.	John Van Decker Senior Vice President Catlin Inc. 140 Broadway New York, NY 10005 212-801-3410 e-mail: John.vandecker@catlin.com	2006	$10	All classes — both primary and excess. Use both Catlin Insurance Company (U.K.) Limited and Underwriters at Lloyd's of London (syndicate #2003) paper.
Chubb	Robert C. Cox Chief Operating Officer Chubb Specialty Insurance 3 Mountain View Road Warren, NJ 07059 908-903-2203 e-mail: rcox@chubb.com Web: www.chubb.com	2006	$25	All classes. Chief Underwriting Officer is Jim Bronner, jbronner@chubb.com; Specialty Products manager is Evan Rosenberg, erosenberg@chubb.com; Contact for D&O is Tony Galban, galbant@chubb.com; Contact for Healthcare Institutions is Beth Strapp, strappb@chubb.com; Contact for Financial Institutions is Rich Edsall, redsall@chubb.com; Contact for Private Companies is Michael Maloney, mmaloney@chubb.com.

COMPANY	CONTACT	CAPACITY (IN MILLIONS)		COMMENTS
Cincinnati Insurance Co.	Tom Kelly, Vice President Cincinnati Insurance Co. P.O. Box 145496 Cincinnati, OH 45250-5496 513-870-2403 e-mail: tom_kelly@cinfin.com Web: www.cinfin.com	2006	$10	D&O, Fiduciary and EPLI (Blue Chip Policy). All classes, except law firms and stockbrokers. NOTE: Only available through its agency force.
CNA				
CNA Pro	Daniel Fortin Senior Vice President CNA Pro 333 S. Wabash, 27th Floor Chicago, IL 60604 312-822-5177 e-mail: daniel.fortin@cna.com Web: www.cnapro.com	2006 Side A	$15 $25	All classes. Contact is Dan Auslander for all not-for-profit, middle market and private businesses. Contact for financial institutions is Thomas Kocaj. Contact for public commercial firms is Thor Beveridge.
CNA — Nonprofit Community Homeowner Associations	Sylvia Tagle, Senior Vice President Ian H. Graham Inc. 5161 Lankershim Blvd., #240 North Hollywood, CA 91601 818-655-1306 312-381-6710 (fax) e-mail: sylvia_tagle@ianhgrahaminc.com Web: www.ihginsurance.com	2006	$5	MGA for CNA. D&O for nonprofit community homeowner associations only.
CNA — Nonprofits	Dean Townsend Assistant Vice President Victor O. Schinnerer 2 Wisconsin Circle Chevy Chase, MD 20815 301-961-9835 301-951-5444 (fax) e-mail: dean.c.townsend@schinnerer.com Web: www.schinnerer.com	2006	$5	MGA for CNA. D&O for nonprofit organizations only. .
CNA — Nonprofit Homes and Services for Aging	Maria Moreno Service Vice President Aon Association Services 1120 20th Street, N.W. Washington, DC 20036-3406 202-429-8553 202-530-0153 (fax) e-mail: maria_moreno@aon.com Web: www.aahsa-insurance.com	2006	$5	MGA for CNA. D&O for nonprofit homes and services for the aging including: retirement communities, skilled nursing facilities, assisted living, personal care, independent living/senior housing, adult day care and other services for the elderly.
Crum & Forster	Lawrence W. Ray Vice President — Business Development Crum & Forster Management Protection/Crime & Fidelity Divisions 973-490-6641 (direct) 973-986-4478 (cell) 973-490-6965 (fax) e-mail: larry_ray@cfins.com Web: www.cfins.com	2006	$10	Primary — preference for accounts with "issues" and/or difficult to place. Excess — no preference, but trend toward higher layers. Public, private and nonprofit organizations. Issuing company: The North River Insurance Company (not available in all states).

COMPANY	CONTACT	CAPACITY (IN MILLIONS)		COMMENTS
Darwin Professional Underwriters Inc.	Ken Fekete, Vice President, Financial Products Darwin Professional Underwriters 9 Farm Springs Road Farmington, CT 06032 860-284-1352 860-284-1353 (fax) e-mail: kfekete@darwinpro.com Web: www.darwinpro.com	2006 up to Side A up to	$10 $15	All classes.
Endurance Specialty Insurance Ltd.	Catherine Bennett Senior Vice President Endurance Specialty Wellesley House, 90 Pitts Bay Road Pembroke HM 08 Bermuda 441-278-0906 441-296-1474 (fax) e-mail: cbennett@endurance.bm Web: www.endurance.bm	2006	$25	D&O, E&O, EPLI, Fiduciary, Crime (blended only) on stand-alone, blended or integrated basis. General attachment of $25M for excess or primary. All classes except managed care E&O and insurance broker E&O.
Energy Insurance Mutual	Jill Dominguez, ARM Vice President — Underwriting Energy Insurance Mutual 3000 Bayport Drive, #550 Tampa, FL 33607-8412 800-446-2270 or 813-287-2117 e-mail: jdominguez@eimltd.com Web: www.eimltd.com	2006	$50	Industry mutual for utilities and energy services industries. NOTE: Minimum attachment point is $35 million.
The Evanston Insurance Co. (Markel Corporation)	Dale Diamond NP D&O Product Manager Shand Morahan & Company, Inc. Ten Parkway North Deerfield, IL 60015 847-572-6333 e-mail: ddiamond@markelcorp.com Web: www.shand.com	2006	$5	Shand Morahan writes only nonprofit organizations with a $5 million capacity.
Fireman's Fund	Gary Neidle — National Director Fireman's Fund Insurance Company 860-513-3705 860-513-3729 (fax) e-mail: gneidle@ffic.com Web: www.ffic.com	2006	$10	Public and private companies. Specializes in the following industries: real estate, hospitality (including casinos and restaurants), printers and publishers, assisted living (for profit) and manufacturing.
Great American	Jonathan G. Starck Vice President Marketing Executive Liability Division Great American 1515 Woodfield Road, Suite 500 Schaumburg, IL 60173 847-330-6769 e-mail: jstarck@gaic.com Web: www.GreatAmericanELD.com	2006	$25	All classes.

COMPANY	CONTACT	CAPACITY (IN MILLIONS)		COMMENTS
The Hartford				
Hartford Financial Products	John Rafferty, Vice President Hartford Financial Products Two Park Avenue New York, NY 10016 212-277-0946 e-mail: john.rafferty@thehartford.com Web: www.hfpinsurance.com	2006	$25	All classes. Contact Michael Karmilowicz 212-277-0717 for large commercial and financial services risks; Michael Price 212-277-0718 for private equity, GPL, middle and emerging markets risks; and Catherine Kelly 212-277-0466 for E&O (misc., lawyers, technology) and EPL lines.
The Hartford — Nonprofits	Tom Coles, Vice President Aon Association Services 1120 20th Street, N.W. Washington, DC 20036-3406 202-429-8560 800-701-1982 (fax) e-mail: tom_coles@aon.com Web: www.npo-ins.com	2006	$5	MGA for Hartford. D&O for nonprofits including: chambers of commerce, foundations, museums and historical societies, miscellaneous nonprofits, social service agencies, and trade and professional associations.
HCC Insurance Holdings				
Professional Indemnity Agency, Inc.	Brian Hickey Senior Vice President Professional Indemnity Agency 37 Radio Circle Drive, P.O. Box 5000 Mt. Kisco, NY 10549-5000 914-242-7808 e-mail: bhickey@piaint.com Web: www.piaint.com	2006	$15	Capacity available through Houston Casualty Group of companies (admitted in some states) for D&O management liability products for private equity/venture capital firms; investment advisors/hedge funds; diversified business organizations; general partnerships; real estate investment trusts. Contact for private company business is their affiliate, Meghan Bell at Rockwood Programs Inc., 302-765-6007, meghan.bell@rockwoodinsurance.com. D&O for private companies (other than financial institutions) with assets up to $250 million. Using Lloyd's non-admitted paper. $5 million capacity.
HCC Global Financial Products	Andrew G. Stone, President HCC Global Financial Products 8 Forest Park Drive Farmington, CT 06032 860-674-1900 e-mail: astone@hcc-global.com Web: www.hcc-global.com	2006	$25	All classes. Uses U.S. Specialty Insurance and Houston Casualty Insurance paper. International business contact is R. Matthew Fairfield, CEO, Spain 34-93-530-7300.
Hiscox Inc.	Kathleen Ray AVP Hiscox Inc. 357 Main Street Armonk, NY 10504 914-273-7457 e-mail: kathleen.ray@hiscox.com Web: www.hiscoxusa.com	2006	$10	Writes nonprofit D&O and public official liability. No for-profit D&O at this time. Primary policies written with State National Insurance Company. Excess will consider following form using Lloyd's paper.
Hudson Insurance Group (Odyssey Re)	Jim Hooghuis, CEO & Chairman Hooghuis Group LLC 176 Mineola Blvd., 2nd Floor Mineola, NY 11501 516-739-7979 ext. 11 e-mail: jhooghuis@hooghuis.com Web: www.hooghuis.com	2006 Side A	$10 $15	Primary and excess for most classes including commercial and financial service risks, REIT's and IPO's. D&O written on Hudson Insurance Company, Hudson Specialty Insurance Company and certain underwriters at Lloyd's. E&O also underwritten with underwriters at Lloyd's.

COMPANY	CONTACT	CAPACITY (IN MILLIONS)		COMMENTS
ICI Mutual Insurance Co.	Frank Vento, Senior Vice President ICI Mutual 1401 "H" Street NW, 10th Floor Washington, DC 20005 800-643-4246 202-326-5469 e-mail: vento@icimutual.com	2006	$200	Group captive formed by mutual funds and investment advisors. Sponsored by the Investment Company Institute.
Kansas Bankers Surety Company	Don M. Towle, President Kansas Bankers Surety Company P.O. Box 1654 Topeka, KS 66601 785-228-0000 785-228-0079 (fax)	2006	$20	Small and medium commercial banks in 28 states.
Liberty Mutual Group/ Liberty International Underwriters	Carl Pursiano Senior Vice President Liberty International Underwriters 55 Water Street, 18th Floor New York, NY 10041 212-208-4204 212-208-2866 (fax) e-mail: carl.pursiano@libertyiu.com Web: www.libertyiu.com	2006	$25	Primary and excess management liability products including public & private company D&O, financial institutions, international, REITs, private equity/venture capital, EPLI, pension trust liability and fidelity. Admitted paper for most products.
Lloyd's				Primarily writing nonprofit D&O currently.
MaxRe Ltd.	James C. Gray, Executive Vice President MaxRe Ltd. MaxRe House 2 Front Street Hamilton HM 11 Bermuda 441-296-8800 441-296-8811 (fax) e-mail: jimg@maxre.bm Web: www.maxre.bm	2006 Side A	$15 $25	Excess AB, ABC, Side A and Side A DIC. No excluded classes.
National Indemnity (Berkshire Hathaway)	Ajit Jain, President, Specialty Risk Division Berkshire Hathaway 100 First Stamford Place Stamford, CT 06092 203-363-5205 203-363-5221 (fax) e-mail: ajain@berkre.com	2006	$100	All classes. Specializes in large, difficult to place accounts. NOTE: Generally, minimum premium is $1 million. Capacity up to $100 million or more available through negotiations on an individual basis.
Navigators Insurance Company/ NIC Insurance Company/ Navigators Specialty Insurance Company/Navigators Syndicate 1221 at Lloyd's of London	Christopher Duca, President Navigators Pro One Penn Plaza, 55th Floor New York, NY 10119 212-613-4315 212-613-4302 (fax) e-mail: cduca@navg.com Web: www.navg.com	2006	$10	All classes. D&O for publicly traded and privately held firms. Purchased the renewal rights to the Genesis D&O and EPL book of business. International D&O contact is Scott Misson at smisson@navg.com or 212-613-4214. EPL contact is Christine Schneider at cschneider@navg.com or 212-613-4316. E&O contact is Brian Braden at bbraden@navg.com or 212-613-4315.
OHIC Insurance Co.	OHIC Insurance Company 155 E. Broad Street Columbus, OH 43215 614-221-7777 Web: www.ohic.com	2006	$5	OHIC writes D&O coverage for Ohio hospitals only where they also provide their medical malpractice liability insurance.

COMPANY	CONTACT	CAPACITY (IN MILLIONS)		COMMENTS
Old Republic	Martin Perry, President Chicago Underwriting Group 191 North Wacker Drive, Suite 1000 Chicago, IL 60606-1905 312-750-8800 e-mail: mperry@cug.com Web: www.cug.com	2006 Side A	$15 $15	All classes. Focus on technology and life sciences technology. Capacity is up to $15 million for primary and excess.
OneBeacon Insurance Company	Alice Johansson, Vice President OneBeacon Insurance Company 30 Tower Lane Avon, CT 06001 860-773-6901 860-773-6095 (fax) e-mail: ajohansson@onebeacon.com	2006	$10	Focus for D&O is essentially health care only.
Philadelphia Insurance Companies	Thomas R. Herendeen Vice President, Specialty Lines Division One Bala Plaza, Suite 100 Bala Cynwyd, PA 19004 610-617-7623 e-mail: therendeen@Phlyins.com	2006	$10	Coverage available for nonprofit organizations and private commercial companies. Write both primary and excess.
Progressive Casualty Insurance Company	Gina Juhnke, Products Manager Progressive Casualty 5920 Landerbrook Drive, Box L21 Mayfield Heights, OH 44124 800-274-5222 e-mail: gina_juhnke@progressive.com	2006	$15	Writes commercial banks and thrifts.
RLI Insurance Company	A.Q. Orza, II Vice President, Executive Products RLI Insurance Company 47 Maple Street, Third Floor Atrium Summit, NJ 07901 908-598-8373 908-598-8377 (fax) e-mail: aq_orza@rlicorp.com Web: www.rlicorp.com	2006	$25	All classes.
RSUI Group	Greg Buonocore, Senior Vice President RSUI Group 945 East Paces Ferry Rd., Suite 1890 Atlanta, GA 30326 404-760-4969 e-mail: gbuonocore@rsui.com Web: www.rsui.com	2006	$15	All classes. Capacity is $15 million on public and private business and $20 million on nonprofit business. Company is admitted in 46 states and uses RSUI Indemnity (admitted) paper and Landmark American (non-admitted) paper. Contact person for nonprofit is Michelle Eason. Subsidiary of Allegheny Corp.
Sargasso Mutual Insurance Companies	H. James Wilson, President & CEO Sargasso Mutual Insurance Company, Ltd. Victoria Hall, 11 Victoria Street Hamilton HM 11 Bermuda	2006 Side A Only	$15 $20	$15M primary and excess. Up to $20 million in excess coverage available with a minimum attachment of $15 million. Follow form excess side A only available with limits up to $20M. Coverage is available to eligible U.S. or Canadian domiciled life insurance companies. NOTE: Managed by Marsh Management Services (Bermuda) Ltd. Managers; Contact is Wanette M. Vann, Underwriter, 441-298-6620, wanette.m.vann@marsh.com.

COMPANY	CONTACT	CAPACITY (IN MILLIONS)		COMMENTS
Scottsdale Insurance Company (Nationwide)	Donald Kenny, Vice President Negley & Associates 388 Pompton Avenue Cedar Grove, NJ 07009 973-239-9107 973-239-6241 (fax) e-mail: dkenny@jjnegley.com Web: www.jjnegley.com	2006	$5	MGA for Scottsdale for nonprofit social service agencies and mental health facilities.
Travelers	Cary Meiners D&O Product Manager Bond & Financial Products Travelers 385 Washington St., Code 9275-NB03A St. Paul, MN 55102 651-310-8938 e-mail: cmeiners@travelers.com Web: www.stpaultravelers.com/agents/	2006	$25	Considers all classes; primary and excess. Public company liability contact is Mark Lamendola 412-338-3057; contact for private and nonprofit business is Peter Herron 860-277-1961; contact for financial institutions is Walter Grote 651-310-6516. Issuing paper includes: Travelers Casualty and Surety Company of America, Travelers Excess and Surplus Lines Company, St. Paul Mercury and St. Paul Surplus Lines.
Tudor Insurance Co.	Margaret Sfraga, Underwriting Specialist Operations Supervisor Tudor Insurance Company 400 Parson's Pond Drive Franklin Lakes, NJ 07417 201-847-8600 e-mail: m.sfraga@westernworld.com Web: www.westernworld.com	2006	$5	Mostly nonprofit organizations, but also write for-profit organizations. Tudor Insurance Company used in most states. Western World and Stratford Insurance used in six states.
United Educators Ins. A Reciprocal Risk Retention Group	Lee Lloyd, Vice President United Educators Insurance RRG Two Wisconsin Circle, Suite 1040 Chevy Chase, MD 20815-9913 301-907-4908 e-mail: llloyd@ue.org Web: www.ue.org	2006	$25	Risk Retention Group for universities and colleges and nonpublic elementary and secondary schools. Write educators legal liability.
W.R. Berkley	Sandra Nelson Senior Vice President, Underwriting Monitor Liability Managers, Inc. 2850 West Golf Road, Suite 800 Rolling Meadows, IL 60008 847-806-6590 ext. 509 e-mail: snelson@monitorliability.com Web: www.monitorliability.com	2006	$10	All classes except money center banks, insurance companies, securities brokers and health care. Writes coverage on non-admitted Admiral Insurance Company paper and admitted Carolina Casualty paper, where applicable.

COMPANY	CONTACT	CAPACITY (IN MILLIONS)		COMMENTS
XL Insurance				
XL Insurance (Bermuda) Ltd.	Sherron Williams, Senior Vice President Professional Lines XL Insurance (Bermuda) Ltd. XL House One Bermuda Road, PO Box HM 2245 Hamilton HM JX Bermuda 441-292-8515 e-mail: sherron.williams@xlgroup.com Web: www.xlcapital.com	2006	$50	All classes. A side can be written on a primary, excess or excess/DIC basis. Minimum attachment point on Side B and C is $25M. Maximum capacity for B&C coverage is $25M. No B&C coverage is available for financial institutions or pharmaceutical companies.
XL Professional USA	John T. Burrows, Senior Vice President XL Professional One Hundred Constitution Plaza Hartford, CT 06103 860-948-1809 e-mail: john.burrows@xlgroup.com Web: www.xlprofessional.com	2006	$50	Full coverage ABC and up to $75 million A side DIC. All classes of business on primary and excess basis.
Zurich				
Zurich Specialties	Bruce Hayes, Executive Vice President Management Solutions Group Zurich Specialties One Liberty Plaza, 30th Floor New York, NY 10006 212-748-2303 e-mail: bruce.hayes@zurichna.com Web: www.zurichus.com/ea	2006	$25	Primary and excess. Contact Keith Thomas for commercial accounts at 212-553-5491 and Ronald Spencer for financial institution accounts at 212-553-5501. Writes on Zurich American Insurance Company paper.
Fidelity & Deposit	Pam Jozwiak Fidelity & Deposit Financial Enterprises 3910 Keswick Road Baltimore, MD 21211 800-821-4635 e-mail: pamela.jozwiak@zurichna.com Web: www.zurichna.com/fe	2006	$25	Writes D&O/E&O for insurance companies, credit unions, regional and community banks and savings institutions. Writes primary coverage and will consider excess coverage. Writes on Fidelity and Deposit Company of Maryland and Colonial American Casualty & Surety Company paper.
Zurich Global	Douglas Robare D&O Manager Zurich Global Corporate U.K. Suite No. 3, 3rd Floor London Underwriting Centre Three Minister Court, Mincing Lane London EC3R 7DD 011-44-207-617-4113 e-mail: Douglas.robare@zurich.com Web: www.zurichlondon.com	2006	€35	All classes. Uses London policy forms. Does not write U.S.-based organizations. Issuing paper is Zurich Insurance Ireland Ltd. U.K. branch.

APPENDIX B

D&O LIABILITY EXPOSURE & INSURANCE PROGRAM REVIEWS AND PEER GROUP ANALYSIS

Towers Perrin provides D&O liability exposure and insurance program reviews for organizations seeking an independent review of the risks and coverage. We also provide Peer Group Reports for companies in your peer group using the 2006 D&O Survey data.

D&O Liability & Insurance Program Review: A D&O insurance program review provides an independent assessment of the reasonableness and quality of the D&O insurance program as it relates to your organization and its risk profile.

Towers Perrin works with clients to do the following:

- Explore the company's objectives with respect to its D&O insurance program: Is the main objective to minimize cost to the company, cover the organization itself for its own liability or payments it must make to the directors and officers, increase the scope of the coverage by including other risks or ensure that directors and officers are comfortable with their level of protection?
- Check corporate indemnification provisions to see if there are opportunities to improve the breadth of coverage to directors and officers.
- Ensure a thorough understanding of current issues in the litigation environment and the current insurance marketplace, including current trends in D&O claims and insurance purchasing practices.
- Identify the best structure for the program based on the company's unique risk profile, goals for the coverage and appetite for risk.
- Review existing programs for consistency with the company's purchasing philosophy, program cost and current market conditions regarding capacity, pricing and coverage restrictions.

Contact Michael Turk at: *michael.f.turk@towersperrin.com* or 203-351-5193 for more information on a D&O liability and insurance program review.

Peer Group Analysis: Tillinghast offers a companion report service to this survey report, which enables risk managers and other D&O professionals to efficiently and effectively compare an organization's D&O program with information compiled from peers with similar exposure characteristics. A Peer Group Report typically contains detailed information on about 20 to 30 organizations, drawn from participants in the 2006 D&O Liability Survey.

The distributions contained in the report allow you to determine where your organization ranks within the peer group with respect to D&O liability insurance coverage limits, premiums and retentions. Regarding claims, the distributions of indemnity payments to claimants and legal expense costs provide insight into actual loss magnitudes. The Peer Group Report also includes tips on interpreting and applying the data as an integral part of the risk management process.

Contact Heidi Graunke at: *heidi.graunke@towersperrin.com* or 312-201-5589 for information on placing a Peer Group Report order.

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D&O Peer Group Report Order Form

A customized D&O Liability Peer Group Report can provide your company with additional insights on potential sources of D&O claims by providing information about the structure and cost of the D&O insurance programs for companies in your peer group. A D&O Liability Peer Group Report enhances the value of the survey data by summarizing the information for a peer group with exposure characteristics similar to yours.

A D&O Peer Group Report typically contains detailed information on about 20 to 30 organizations drawn from participants in the 2006 D&O Liability Survey.

The distributions contained in the report allow you to determine where your organization ranks within the peer group with respect to D&O liability insurance coverage limits, premiums and retentions. Regarding claims, the distributions of indemnity payments to claimants and legal expense costs provide insight into actual loss magnitudes. The D&O Peer Group Report also includes tips on interpreting and applying the data as an integral part of the risk management process.

TO ORDER A D&O PEER GROUP REPORT, SIMPLY FILL OUT THE FORM BELOW.

☐ I would like to purchase a *D&O Liability Peer Group Report* compiled from 2006 survey data.

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