

Bollinger Solutions

HELPING TO MANAGE YOUR INSURANCE PROGRAM

SUMMER 2002

Bollinger
Insurance Since 1876

- Commercial Property and Casualty
- Personal Lines
- Golf and Country Clubs
- Golf Associations
- Tennis Clubs and City Clubs
- Sports and Recreation Programs
- K-12 Student Accident
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Directors & Officers Liability A marketplace in transition

Subject to policy exclusions, Directors & Officers liability insurance (D&O) provides coverage for directors and officers of a company for negligent acts or omissions, and for misleading statements that result in libel suits against the company. Today, with litigation costs increasing, along with concerns over bankruptcies and corporate accounting practices, D&O coverage is becoming more restrictive and expensive.

It was hoped that the Private Securities Litigation Reform Act of 1995 would solve rising D&O claims costs brought about by frivolous litigation. Insurers thought securities litigation would drastically decline so they went after the D&O market aggressively, cutting premiums and offering expanded coverage terms such as longer multi-year contracts and broader entity coverage. Unfortunately, litigation trends didn't decline. After the NASDAQ crash in Spring 2000, shareholder class action suits dramatically increased. Between 1995 and 2000, securities class action settlements more than doubled to \$4.4 billion, and the average damage awards jumped from \$25 million per case to \$200 million. By late 2000 prices and coverage terms in the D&O market were already beginning to firm and the trend escalated with the dot.com collapse, a continuing decline in the stock market, Enron and of course, September 11th.

The three largest D&O claims in history took place in the past two years: Cendant's was settled at \$3.2 billion. Settlement proposals are outstanding from Bank of America—\$490 million and Waste Management—\$457 million.

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A view of the Hard Market through the second quarter of 2002

We want to keep you updated on where the Property and Casualty marketplace is going. Through May, renewal pricing continued to climb. Industry analysts show that small accounts, those under \$50,000 in premium, will have average renewal increases in the 10-20% range. If those accounts have any problems with past losses or fall into categories such as contracting, residential realty or transportation, then the range for renewal increases is 25-50%. In addition, the number of insurers

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Long Term Care Insurance

Protecting your retirement

If you have had a personal experience arranging for nursing home or assisted living for an elderly parent or relative, or if a dependent with a serious illness has become institutionalized, you understand the need for long term care insurance. Part-time home health care can cost \$1,000 or more a month and nursing home care in the tri-state area averages \$70,000 per year. Health insurance usually does not pay for nursing home or health care at home. Medicare, Medicaid or even Medicare Supplement Insurance will rarely completely cover an average nursing home stay. Without long term care insurance much of your incurred expense will be out-of-pocket.

The U.S. Department of Health and Human Services estimates that people reaching age 65 face at least a 40% chance of entering a nursing home and the stay for 10% of them will be 5 years or more. Even young people who have a serious accident or debilitating illness can need long term care.

Long term care insurance can help protect your retirement savings. We will be glad to explain the coverage options and provide you with comparison quotes. In July, we are offering two long term care workshops. For more information contact our Financial Services Dept. , 800-350-8005 ext. 1023.

Disability Insurance

Most people buy life insurance but overlook the much larger risk of diminished income from inability to work. Disability income insurance provides income on a monthly basis while the wage earner is out of work. Benefits can be provided for five years, to age 65 or even lifetime. A long term disability can have tremendous financial consequences. In addition to lost wages, employees who become disabled will face increased medical expenses. They also will be unable to save for retirement, jeopardizing long term security.

Employers in several states, including New Jersey and New York, are required by law to carry temporary disability insurance for their workers. Coverage can be obtained through the State or private insurance companies. Mandatory temporary benefits last only 26 weeks. Protection beyond 26 weeks would come from optional long term disability insurance.

Long term disability plans are flexible and can be structured to fit your budget. Voluntary plans are also available. For more information, contact our Employee Benefits Division, 1-800-350-8005, ext. 1011.

According to the American Council of Life Insurers, a 35 year-old is six times more likely to become disabled than to die. If the disability lasts for at least 90 days, the person is likely to be disabled for an average of three years. One out of every seven workers will suffer a five-year or longer period of disability before age 65.

Did you know that ...

- Bollinger employs 175 licensed insurance professionals? For license renewal, NJ requires 48 hours of continuing education credits every four years; NY requires 12 hours every two years.
- Bollinger is 40% employee-owned? It was named 2002 ESOP Company of the Year by the New Jersey/New York Chapter of the ESOP Association. The ESOP Association represents companies with employee stock ownership plans.

Directors & Officers Liability Insurance (continued from page 1)

As a result, the current D&O marketplace is in turmoil. Insureds with solid balance sheets and favorable claims experience can expect premium increases. Hardest hit will be telecommunications, technology, Internet and biotechnology firms, and businesses with claims experience or negative financial performance.

In an attempt to have the policyholders assume a greater share of the risk, insurers are increasing deductibles and introducing new policy language that can significantly reduce protection. Although it hasn't been widely used yet, there is increasing talk of adding a bankruptcy/insolvency exclusion to the D&O policy.

As your insurance professional, we are here to answer any questions or concerns you have about D&O coverage. If you don't have D&O coverage but think it's something you should consider, let us know and we will discuss your options with you. For those of you with existing coverage, we will work with you well in advance of your expiration and make every effort to get you the most reasonable renewal terms.

Hard Market (continued from page 1)

writing these "problem" risks is decreasing quickly.

For larger commercial accounts, the range is about the same at this point in the market. Again depending on the type of risk and the loss experience it could be higher.

Our best recommendation is to continue to upgrade your company's loss control efforts to make sure your business is considered the "best on the street." Safety committees, accident reviews and management commitment are all areas that insurance companies favor when reviewing renewals.

Personal Watercraft Safety Tips

If you are going to pilot a waverunner or jet ski, keep the following safety tips in mind:

- Know your craft and how it operates.
- Know your local boating laws, navigational marks and signs.
- Wear a personal flotation device, eye protection, wetsuit and gloves.
- Do not operate your watercraft after consuming alcohol or drugs.
- Always stay to the right of other water vehicles.
- Remember, sailboats, commercial vessels and fishing vessels have the right of way.

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Boating Under the Influence (BUI)

Boating and alcohol don't mix. Under NJ law, operators of boats which are motor-powered and/or 12 feet or more in length (regardless of their power source) who have a blood alcohol content of .10 or higher are considered to be BUI. First-time offenders face the loss of their right to operate a boat for one year and a \$250-\$400 fine. Penalties for second offenders include loss of boat operating rights for two years, a fine of \$500-\$1,000, community service for 30 days and a jail sentence of 48 hours to 90 days.

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Coalition hopes to bring reform to NJ auto insurance

The Coalition for Auto Insurance Competition (CAIC) is a group of New Jersey-based businesses, associations and consumers who have joined together to help bring competition to the auto insurance market. The group believes that excessive regulations imposed on New Jersey's auto insurance system are limiting competition and choices for consumers.

According to the CAIC, "four out of the six largest insurers in America do not write business in our state. The fact is that over twenty auto insurance companies have left our state in the past decade. As of last year, New Jersey has 47 percent fewer companies selling insurance than Illinois, 34 percent fewer than New York and 31 percent fewer than Pennsylvania."

State Farm with 780,000 customers, had stated its intent to stop doing business in New Jersey by the end of the year. On June 25th, an agreement was reached with the Dept. of Banking and Insurance and as a result, State Farm will delay its withdrawal for three years. The agreement allows State Farm to begin non-renewing 96,000 of its policyholders who will have to find alternate coverage.

To learn more about the CAIC, visit their web site at www.njcaic.org.



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Long Term Care Workshops

Tuesday, July 23rd 10AM—Noon

Thursday July 25th 1:30PM—3:30PM

For additional information
or to reserve a seat, please call
1-800-350-8005, ext. 1023.

Bollinger Solutions is published by Bollinger, Inc., the 15th largest privately held independent insurance agency in the United States. This publication is intended for general informational purposes only. Please contact Bollinger directly to discuss advice specific to your needs.

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