

Crittenden's

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DEFECTIVE MATERIAL BRINGS CAUTION TO DRYWALL CONTRACTORS SEGMENT

All players liable for claims from the defective drywall imported from China are on edge as they try to protect themselves from astronomical losses. The contaminated drywall has been used in an estimated 60,000 to 200,000 homes nationwide since 2006 so many construction insurers will be defending against claims. At the same time, E&S carriers look for opportunities to pick up any dropped business. Reports of defective drywall catch **ACUITY Mutual Insurance Co.**'s attention and the insurer monitors the situation very closely, even though it does not write in Florida or Louisiana, the two states most affected. Florida is **MGA Appalachian Underwriters'** biggest state and it is reviewing what its peril will be in regards to the Chinese drywall situation. **Swett & Crawford** expects to see more demand down the pike if reinsurers shut down to the class and push standard markets away from the segment. **NIF Group Inc.** launches a new policy line for artisans and general contractors through **Valiant Insurance**. **Sadler & Co.** is another player and uses carriers **Builders Mutual Insurance Co.** and **Builders Insurance Group**.

The question of who will ultimately be left holding the financial bag in the Chinese drywall situation is still up in the air as insurers, builders, drywall contractors, suppliers, homeowners — and let's not forget the lawyers — position themselves for what is likely to be a terrific battle with no winners. Ironically, the only one with little cause for worry seems to be the drywall manufacturer, **Knauf Plasterboard Tianjin Co. Ltd.**, which reportedly has no insurance and is further insulated by the difficulty in recovering losses from a foreign entity. Rebuilding from the devastation caused by Hurricane Katrina helped contribute to a drywall shortage and the increased use of imported Chinese drywall, especially in the Gulf States.

The defective material contains sulfuric compounds that allegedly emit health-damaging odors and cause corrosive damage to metal, including copper plumbing pipes, electrical outlets, air-conditioning coils, appliances and other furnishings. Expect direct individual actions to be filed against builders and suppliers, their insurers, and homeowners' insurance policies. Pollution liability exclusions and property damage exclusions may protect insurers from culpability, depending on the state and its interpretation of the exclusion, which puts the burden on the backs of builders and subcontractors and forcing many into bankruptcy. **Jeffrey Vita**, a partner at **Saxe Doernberger & Vita P.C.**, represents policyholders in insurance coverage disputes and is a leading authority on the Chinese drywall subject. He suggests contractors know exactly what is covered and what is excluded in their policies and consider purchasing pollution-specific policies. In large projects, contractors may be entitled to indemnity from another contractor. Claims can sometimes be tendered to a lower-tier contractor and contractors can also sometimes find coverage as an additional insured on someone else's policy.

Expect some carriers to shy away from some contracting risks going forward, but for now carriers to take a wait-and-see approach and continue writing drywall contractors coverage. However, they will question the source of supply and tread carefully in affected states. If satisfied that the material is good, carriers will write GL; if not, expect to see a prior completed operations exclusion put on the policy. The drywall industry has been hit hard by the slowdown in the construction industry as a whole and a significant turnaround in construction is not yet in sight, despite the fact that smaller builders and artisan contractors are starting to book more jobs and insurers are processing more quote requests from laid-off contractors starting their own businesses. Rates have been fairly steady recently as the length of the soft market, combined with concerns about Chinese drywall, has led to some price leveling. *Continued on Next Page*

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ACUITY hears some reports of Chinese drywall concerns in its operating territory but has not seen any claims yet and the longtime provider has no intention of pulling out. Although the insurer has steered away from the coasts where most of the Chinese drywall was used, the company is still concerned. Look for rate increases to handle any exposure that may appear. ACUITY writes in 18 states from Tennessee to Utah, as well as in Ohio and Arizona. The carrier expects to enter New Mexico this month and may expand into additional states as well. Although it is not seeing drops in either market share or number of accounts, premium intake is down because the slump in new construction has resulted in diminishing payrolls, which factor into worker's comp and GL numbers. ACUITY wrote \$9 million in premium volume last year and expects similar results this year, if not a bit less. New business continues to come in and retention is strong. ACUITY provides coverage for worker's comp, GL, contractors equipment, installation coverage, builders risk, employee tools and auto. Underlying coverage goes up to \$1 million in liability and umbrella goes to \$10 million. Auto is available at the same limit levels. A deductible is required only on contractors equipment and is flexible. The minimum package premium is \$400 for a very small account and policy forms are occurrence-based. In 2008, ACUITY wrote \$800 million in premium through about 900 independent agencies.

Appalachian Underwriters' preliminary analysis shows the company should be okay in the drywall situation, despite a strong presence in Florida. It is well-insulated from excessive exposure primarily because it targets small drywall contractors and is spread out geographically. Coverage limitations and endorsements also provide protection. Don't expect Appalachian to make any knee-jerk reactions to the situation, although it will be conservative with underwriting and may tighten up slightly as far as credit. Appalachian provides monoline worker's comp and GL coverage, including products and completed operations. It has \$75 million in premium volume in force for all its GL accounts and expects volume to steadily and slowly increase because of organic growth based on new carriers and new agencies in recently-entered states. Florida is its biggest state and it seeks to grow in California and the Northwest, specifically Oregon and Washington. It also wants to expand in Texas and in the Northeast. Available limits for drywall contractors are \$1 million per occurrence, \$2 million for general aggregate, and \$2 million for products and completed operations. The minimum premium for the artisan class is \$500 and the average for drywall is about \$1,500 to \$2,000. The deductible is \$1,000 per property damage claim. Appalachian writes in all states and the District of Columbia on both admitted and nonadmitted paper and has two to three carriers available in each state. It uses mostly occurrence-based forms but does use claims-made forms for extreme risks. Primary distribution is through independent agents and brokers. Appalachian uses **United Specialty Insurance Co.**, the nonadmitted paper of **State National**. It also writes on **Benchmark, Accident, State National** and **RRG American Builders**. It is program manager for **American Safety Indemnity** and uses **Century Surety** on a broker basis.

Companies See Opportunity in Drywall Sector Despite Worries

Builders Mutual addresses the Chinese drywall issue in its underwriting. It still sees excellent new business production with some decline in exposure per policyholder. Although general contractors have been the largest segment of Builder Mutual's business, it introduced a GL Tradesman Policy last year for small trade contractors and is considering other new products for small trade contractors and commercial construction risks. Limits are up to \$5 million for property and inland marine; \$1 million/\$2 million for GL; up to \$5 million for umbrella; \$1 million for commercial auto; and statutory limits for worker's comp. Builders Mutual provides coverage on an admitted basis in Georgia, Mississippi, North Carolina, South Carolina, Tennessee and Virginia, and recently expanded into Maryland and Washington, D.C. It is the leading building industry carrier in North Carolina and anticipates taking market share in its other states. Builders Mutual accepts business from independent agents and brokers and uses occurrence-based policy forms.

Swett & Crawford will be ready when Chinese drywall starts to show up in exclusions and standard markets start to non-renew this class. It is already starting to see Chinese drywall exclusions in reinsurance treaties, which could bring it more business as some standard markets stop writing drywall contractors coverage. It also sees increased interest in coverage for remediation jobs, which covers subcontractors working to replace damaged homes. Swett & Crawford can provide coverage for pollution liability, GL, subcontractors and remediation contractors.

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DRYWALL

ACUITY A MUTUAL INSURANCE CO. (A+): Ed Warren, VP commercial lines, P.O. Box 58, Sheboygan, WI 53082-0058, (920) 458-9131, fax (920) 458-1618, ewarren@acuity.com.

AMERICAN BUILDERS INSURANCE CO. RRG (NR)/AMERICAN SAFETY INDEMNITY CO. (A)/BENCHMARK INSURANCE CO. (A-)/CENTURY SURETY CO. (A-)/STATE NATIONAL INSURANCE CO. (A)/UNITED SPECIALTY INSURANCE CO. (A): Jonathan Hooven, internal marketing manager, Appalachian Underwriters Inc., 800 Oak Ridge Turnpike, Suite A-1000, Oak Ridge, TN 37830, (888) 376-9633, fax (866) 786.4570, jonathan.hooven@appund.com.

BUILDERS INSURANCE GROUP (A-): John Sadler, Sadler & Co. Inc., 3014 Devine St., P.O. Box 5866, Columbia, SC 29250-5866, (800) 622-7370, fax (803) 256-4017, john@sadlerco.com.

BUILDERS MUTUAL INSURANCE CO. (A): Brad Mooock, assistant VP, business development, P.O. Box 150005, Raleigh, NC 27624-0005, (800) 809-4858 ext. 363, fax (919) 227-0497, bmooock@bmico.com.

SAXE DOERNBERGER & VITA P.C.: Jeffrey Vita, partner, 1952 Whitney Ave., Hamden, CT 06517, (203) 287-2100, fax (203) 287-8847, jjv@sdvlaw.com.

VALIENT INSURANCE CO. (A-): Nancy Williams, VP, marketing and sales, NIF Group Inc., 30 Park Ave., Manhasset, NY 11030, (800) 892-8892, fax (516) 365-7392, marketing@nifgroup.com.

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Swett & Crawford's limits can go as high as needed. Most of its clients are small artisan contractors and some aren't concerned about coverage for residential home projects. There is no minimum premium and deductibles vary, with coverage driven by the individual risk. Coverage is available nationwide on a nonadmitted basis. Business comes through independent agents and brokers.

NIF launched its first product last month that opens up GL coverage on an admitted basis to artisans and general contractors in Connecticut, New Jersey, New York and Pennsylvania. The product was developed to meet demand from existing retail agents and NIF expects solid growth from the product this year. Qualifying insureds must have less than \$3 million in sales, a minimum of three years in business and documented loss experience. Limits are \$1 million/\$2 million and the minimum premium is \$5,000. Policies are written on occurrence-based forms and have exclusions for Chinese drywall. The wholesaler and program administrator distributes through retail agents.

Sadler finds construction defect liability is now a prominent concern for drywall insurers. It mostly insures builders but does handle some trade. Sadler provides coverage for GL, worker's comp, property, builders auto and builders risk in North Carolina, South Carolina, Tennessee and Virginia, although the carriers it represents also write in other states. GL limits go to \$1 million, with excess liability limits up to \$5 million available. The minimum premium varies by carrier, but GL can range from \$750 to \$4,000 and worker's comp from \$750 to \$1,000. No deductibles are required. The retail agency places coverage directly on behalf of contractors and writes on occurrence-based policy forms.

RATES KEEP FALLING DOWN FOR ROOFERS

Two prominent roofing players drop their minimum premiums to take advantage of a rapidly changing roofers segment. **Appalachian Underwriters**, a program manager for **American Safety, United Specialty, State National, Benchmark, Accident Insurance Co.**, and **American Builders (RRG)**, as well as a broker for **Century Surety**, slashes its minimum premium to reflect a change in the market. **Coronado Insurance Services**, MGA for **Ullico Casualty Co.**, lowers its minimum premium as well. **RRG National Contractors Insurance Co. (NCIC)** is another player in this segment.

The recession has residential roofing companies downsizing and going out of business at an almost unprecedented pace. This creates a dearth of larger accounts but an influx of new, smaller accounts as the roofers laid off by the larger companies start their own operations. The market change is being met by carriers in the form of significantly lower rates. Expect roofing contractors with one to four employees to become the new bread and butter for carriers in this segment. However, coverage will be more expensive and harder to come by for roofers trying to supplement their incomes with handyman and repair work, as many carriers look to write only pure roofers. Look for the same turn to occur in the commercial roofers market before the end of this year as the foreclosures pile up and banks start to repossess major office complexes.

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ROOFERS

AMERICAN BUILDERS INSURANCE CO. (RRG)/AMERICAN SAFETY (A)/UNITED SPECIALTY (A)/STATE NATIONAL (A)/BENCHMARK (A-)/ACCIDENT INSURANCE CO. (A-)/CENTURY SURETY (A-): Jonathan Hooven, internal marketing manager, Appalachian Underwriters, 800 Oak Ridge Turnpike, Suite A-1000, Oak Ridge, TN 37830, (865) 425-7362, fax (866) 786-4570, jonathan.hooven@appund.com.

ULLICO CASUALTY CO. (B+)/PROBUILDERS SPECIALTY INSURANCE (RRG): Susan Koelle, office manager, Coronado Insurance Services, 1111 Sixth St., Suite 301, San Diego, CA 92101, (619) 770-1850, fax (619) 770-1852, susan@coronado-insurance.com.

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The West Coast is softening slower than other regions of the country for roofers, so look for carriers to target Western states as good places to come in at low prices to nab the smaller accounts.

Appalachian Underwriters substantially lowers its minimum premium for residential roofers from \$7,500 to \$2,000. The program manager and broker also lowered its minimum premium in California for residential roofers from \$10,000 to \$7,000. The changes allow Appalachian to go after the smaller residential roofing operations. Residential roofers comprise roughly 80 percent of Appalachian's book. Appalachian is aggressively pursuing roofers on the West Coast right now because it sees an opportunity to come in lower than other players who still have their minimum premiums at \$10,000 or \$15,000. Appalachian saw a 50 percent increase in submissions in Q2 and is on track to reach between \$75 million and \$85 million GPW in its GL book this year. General contractors comprise the largest part of Appalachian's GL book but roofers are the second-largest class. Appalachian, which acts as a program manager for American Safety, United Specialty, State National, Benchmark, Accident Insurance Co., and American Builders (RRG), and a broker for Century Surety, is going after roofing contractors with one to four employees and zero to little subcontracting work. Coverage is available in roughly 40 states. Typical limits are \$1 million/\$2 million. Deductibles are \$2,000 for residential roofers and \$5,000 for commercial roofers.

Coronado Insurance Services lowers its minimum premium for residential roofers from \$1,200 to \$900. The MGA for Ullico Casualty Co. has seen roughly 37 percent growth in its roofers book so far this year. Its coverage is admitted and available in Arizona, California, Colorado, District of Columbia, Florida, Nevada, New Mexico, Oregon Texas, Utah and Washington. Deductibles range from \$2,500 to \$10,000 and premiums generally range from \$1,650 to \$3,500. GL limits are \$1 million/\$1 million or \$1 million/\$2 million and Coronado also offers up to \$3 million in additional limits with a follow form excess liability policy. Coronado offers its roofers coverage through an exclusive GL program introduced last November. Contractors can sub out up to 80 percent of their gross annual receipts and maintenance or repair work is eligible. Tract sizes can be up to 75 units, and condo and town home remodeling are acceptable risks. Online quoting and policy issuance are available. Coronado also has a program through RRG **ProBuilders Specialty Insurance** for members of the San Diego Roofing Contractors Association. In that program, there is no restriction on tract homes or tract size and no restriction on the amount of work subcontracted.

NCIC had planned to expand into Georgia, Oregon, Louisiana, Pennsylvania and Washington last year, but those plans have been temporarily shelved. The RRG saw a roughly 15 percent decrease in its book last year after strong growth in 2007. For now, the coverage is available in Arizona, California, Colorado, Florida, Illinois, Nevada, New Mexico, New York, Texas and Utah. The program targets roofing contractors with between \$300,000 and \$1 million in annual revenue. Limits can go to \$500,000/\$1 million, with a maximum aggregate of \$2 million, and premiums start at \$3,000. Deductibles range from \$5,000 to \$25,000. Roofing contractors working on buildings more than three stories high are ineligible.

CRITTENDEN INSURANCE COVERAGE FORUM 2009

The Crittenden Insurance Coverage Forum will be held October 1-2 at the Hyatt Regency Philadelphia at Penn's Landing. The conference is a two-day event for insurance professionals, comprised of educational sessions and networking opportunities. Session topics include claims, underwriting and legal issues as they relate to the insurance industry. Each educational session is facilitated by the industry's leading executives, with years of experience and up-to-date information. Spend your evenings networking with industry insiders while gaining professional contacts and advanced industry knowledge.

Make your plans today to join fellow insurance professionals for this outstanding educational and networking event. For more information, visit www.crittendenicf.com or call 800-211-1697.

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PAWN SHOPS

LLOYD'S OF LONDON (A): Gary Wasserman, VP, Wexler Insurance Agency Inc., 1120 Ponce De Leon Blvd., Coral Gables, FL 33134, (305) 445-5050, fax (305) 448-8189, gwasserman@wexlerinsurance.com.

NORTHLAND INSURANCE CO. (A): Jon Walker, president, Union Life & Casualty Insurance Agency, 5225 N. Central Ave., Suite 110, Phoenix, AZ 85012, (800) 545-5624, fax (602) 265-9763, jwalker@ulcinsurance.com.

SCOTTSDALE INSURANCE CO. (A+)/WESTERN HERITAGE INSURANCE CO. (A+): Sharon Babic, commercial underwriter, 9310 Topanga Canyon Blvd., Chatsworth, CA 91311, (818) 507-0900, fax (818) 507-1133, sbabic@gorst.com.

VIDEO GAME DEVELOPERS

TRAVELERS (A+)/CHUBB (A++)/CNA (A)/ONEBEACON (A)/OTHERS: Steve Robinson, area president, Risk Placement Services, 204 Cedar St., Cambridge, MD 21613, (410) 901-0778, fax (410) 901-0878, steven_robinson@ccbsure.com.

ALLIED WORLD ASSURANCE US (A+): Laura Corogenes, director of underwriting, Specialty Global Insurance Services, 8500 Shawnee Mission Parkway, Shawnee Mission, KS 66202, (913) 564-0777, fax (913) 564-0603, lcorogenes@specialtyglobal.com.

PAWN SHOPS A GOLD MINE FOR INSURERS IN BAD ECONOMY

Carriers aggressively pursue pawn shops as low losses and an injection of business from the poor economy make this segment as hot as ever. **Wexler Insurance Agency**, cover note holder for **Lloyd's of London**, significantly broadens coverage. **Union Life & Casualty Insurance**, MGU for one of this segment's leaders, **Northland Insurance**, preps for a major expansion of coverage. **Harry W. Gorst Co.**, which uses **Scottsdale** and **Western Heritage** paper, is another player in this class.

Look for pawn shop rates to stay flat or soften even more, at least until the recession ends. Bad risks with losses will see slight increases, but otherwise those in the pawn industry can count on spending less for their insurance this year. That's because the main players in this segment have seen relatively low losses over the last few years and are now prepared to reward their accounts for the good fortune. Also, the recession has brought in more business for the pawn industry as people look to make a quick buck by cashing in whatever they can find. The increased trading means more goods on site for pawn shops, which means higher total insured values and thus higher limits. Expect carriers to readily offer the higher limits at the same or only slightly higher rates.

Companies Add Enhancements to Lure New Business

Wexler Insurance adds mysterious disappearance coverage and also lowers rates slightly because of a good run of profitability. The cover note holder for Lloyd's has also expanded the reach of its program, broadening it to include larger shops. As part of this effort, Wexler increased its primary limits from \$1 million to \$1.5 million. Wexler's pawn shop book has grown by 12 to 15 percent this year, which makes its book now worth more than \$10 million. The company offers GL, including gun liability, EPL, and hired and non-owned auto. Products liability is also available, as well as property (building, fixtures, glass and sign, and business interruption) and jeweler's block. There is no minimum premium. Deductibles range from \$250 to \$100,000 and average \$2,500. Coverage is available nationwide. Wexler can also write excess limits to almost any amount.

Expect Union Life & Casualty to introduce a slew of enhancements to its pawn shop coverage in the very near future. The enhancements will include the addition of 10 to 15 completely new coverages and an increase in limits for many of the coverages currently offered on the form, such as personal data, electronic data, valuable papers and records, and personal property of others. Union Life offers an all-risk form that includes worker's comp. The MGU for Northland has seen single-digit growth in its pawn shop book this year. Coverage is admitted and available in all states except Hawaii, Texas and Virginia. Premiums start at \$1,350 and GL limits typically go to \$1 million/\$2 million.

Harry W. Gorst Co.'s pawn shop rates have dropped significantly over the last few years, although the rate decrease has not been as sharp this year. The wholesale broker, which uses Western Heritage and Scottsdale paper, places the majority of its accounts in California. Minimum premiums are based on sales, with Western Heritage only allowing 15 percent of sales from firearms. Shops where firearms and auto, boat or RV titles are more than 25 percent of sales are not eligible for the Scottsdale form. GL limits go to \$1 million/\$2 million. Scottsdale doesn't provide products coverage.

CASINOS

HUDSON INSURANCE CO. (A)/ODYSSEY REINSURANCE GROUP (A)/GREAT AMERICAN INSURANCE CO. (A)/LEXINGTON INSURANCE CO. (A): Sean McConlogue, president, Tribal First, P.O. Box 609015, San Diego, CA 92160, (858) 541-1900, fax (858) 277-4519, smcconlogue@tribalfirst.com.

CHUBB (A++)/CNA (A)/LLOYD'S OF LONDON (A) /ONEBEACON (A)/RSUI (A)/OTHERS: Ed Magliaro, EVP, national practice leader for property, Swett & Crawford, 32 Old Slip, 5th Floor, New York, NY 10005, (212) 618-0151, fax (212) 791-9646, ed_magliaro@swett.com.

CARRIERS LOSING CASH IN CASINO CLASS

The casino segment faces increasing exposure and decreasing revenues as carriers make coverage enhancements to grow their books. One major player enters bankruptcy and another starts paying the price for not lowering rates. MGA **Tribal First**, which uses **Lexington, Hudson, Odyssey** and **Great American**, gets some promising results after introducing new coverages. **Swett & Crawford** significantly broadens its coverage and uses a number of carriers, including **Chubb, CNA, Lloyd's of London, OneBeacon** and **RSUI**.

Casinos, normally very recession-resistant, have not held up well in this economic downturn. Revenues continue to tumble, and on top of that exposures are increasing with more robberies and the new but very real risk of data theft. Pennsylvania recently saw the first cyber-intrusion of one of its casinos since the state legalized slot machines in 2004, and the man who robbed a casino in Great Falls, Mont., for an undisclosed amount of money last month has yet to be caught. Also, more and more casinos are getting into service-related operations, such as restaurants and hotels, and this is significantly increasing their property exposures. Unfortunately for carriers, the recession makes it impossible to raise rates, as most casinos simply cannot afford to pay more for their insurance. Carriers pricing flat or slightly lower in casinos will be lucky to maintain their books this year, while those pricing high will start to lose accounts and possibly their MGAs or MGUs as well.

Agency's Bankruptcy Shakes up Casino Class

First American Insurance Services, an agency that is one of the more prominent providers of tribal gaming facilities in the country, appears to be on the outs after filing for Chapter 11 bankruptcy earlier this year and soon thereafter getting investigated for a \$100 million Ponzi scheme. First American primarily uses **Travelers** but also uses **Great American** and **Zurich**. Look for its casinos accounts to seek greener pastures and for other companies to reap the benefits, particularly **Tribal First**, which already insures about 170 of the roughly 240 tribal gaming facilities in the United States. Another player seeing some difficulty right now is **Great American**, which primarily writes crime for casinos and has been raising rates lately, most likely because of an increase in losses. The rate increases are already starting to damage the carrier's book and strain its relationships with certain brokers and MGAs. Look for a major shake-up in this class related to **Great American** in January. If **Great American** loses its hold on the crime aspect of casinos, **Hudson**, its main competitor in crime coverage, stands to gain a lot.

Tribal First introduced ecommerce and fiduciary liability coverage earlier this year and so far has sold a couple of dozen ecommerce policies and about a dozen fiduciary policies. **Tribal First** has seen minimal growth this year, mainly because of soft rates. The MGA uses **Lexington, Hudson, Great American** and **Odyssey** paper and offers its coverage in all states, although it is only available to tribal-related casinos. In addition to fiduciary and ecommerce, other coverages available include GL, property, boiler/machinery, crime, auto, innkeepers legal liability, worker's comp, D&O, E&O and EPLI. Premiums average more than \$250,000, with deductibles starting at \$1,000. GL limits go to \$10 million.

Longtime casinos broker **Swett & Crawford** adds limited coverage for loss of earnings triggered by events related to suicide, food poisoning, and bomb and viral threats. **Swett & Crawford** has not seen much growth this year, given the current state of the economy. The broker uses a number of markets, including **Chubb, CNA, Lloyd's of London, OneBeacon** and **RSUI**. Policies are all-risk, including property damage and time element coverage with named storm, flood, earthquake/cat and terrorism. **Swett & Crawford** has accounts from \$10 million in total insure value to billions in TIV. Limits can go to \$1 billion for larger exposures. Premiums range from \$500,000 to \$10 million. Typical renewal deductibles are \$100,000 for property damage with a one- to three-day waiting period on bodily injury.

PILOT CARS

BANK OF THE WEST INSURANCE AGENCY: Adam Kling, program manager, Citadel Insurance Services, 12159 S. Business Park Drive, Building 3, Suite 120, Draper, UT 84020, (801) 748-4255 ext. 107, fax (801) 553-2595, akling@citadelus.com.

ZURICH (A): Larry Cossio, VP, Cossio Insurance Agency, 107 Old Laurens Road, Simpsonville, SC 29681, (864) 862-2838, fax (864) 688-0138, larry@cossioinsurance.com.

ZURICH (A): V. Gregg Russell, underwriter, Thomco Insurance Enterprises LLC, 3380 Chastain Meadows Parkway, Suite 100, Kennesaw, GA 30144, (678) 290-2818, fax (678) 290-2200, grussell@thomcoins.com.

STATES DRIVING PILOT CARS TOWARDS LIABILITY COVERAGE

Expect demand for both general liability and public liability policies for pilot cars to increase as some states now require pilot car operators to carry GL coverage. The key for carriers is educating operators on the GL requirements, as well as the added benefits of PL coverage. **Thomco Insurance Enterprises LLC** adds PL to its new pilot car operators policy, written on **Zurich** paper. Zurich lowered its rates for pilot cars last month and **Cossio Insurance Agency** now anticipates more business for the program it writes through the carrier. Look for competition from program manager **Citadel Insurance Services**, which launched a new program for pilot cars with regional retail agency **Bank of the West Insurance Agency**.

More states will likely follow in the footsteps of Colorado, Utah and Washington and require pilot car operators to carry GL coverage. With 30,000 to 40,000 pilot car services nationally, there is great demand for this coverage but the challenge is educating pilot car owners on the necessity of liability coverage. The demand for GL will increase as states join the requirement bandwagon and state highway departments and law enforcement agencies become more educated on the subject and more efficient at enforcing the regulations. Many pilot car operators currently choose to purchase only commercial auto and need to be informed of applicable laws and the benefits of liability coverage. Rates have held steady and hints of increases have yet to materialize.

Cossio looks to write about \$1.2 million in pilot car coverage in the next 12 months and increase that to \$2 million to \$3 million in two to three years. Although it has had an exclusive program through Zurich for about a year, it could not compete effectively until the carrier lowered its pilot car rates 30 to 40 percent last month. Cossio provides GL, PL and commercial auto. PL inclusion is mandatory in this policy, unlike some other policies. GL limits range from \$500,000 to \$1 million and PL limits range from \$300,000 to \$1 million. Premiums vary widely since pilot car operators differ in the services they offer. The program is available in all states on a nonadmitted basis and policy forms are occurrence-based. Most business is direct but Cossio does accept business from independent agents and brokers.

Citadel plans to add states and promote a best-in-class training/certification program to its new PilotCarPRO program. It rolled out the program, backed by an A-rated carrier, in test mode late last year and has been slowly ramping it up on an admitted basis since the start of the year. It expects to bring in between \$2 million and \$4 million in new premium in the next 12 months as it expands its national distribution network. Citadel provides GL, commercial auto, inland marine and PL by endorsement. Aggregate GL limits of \$1 million/\$2 million can be increased and all minimum state auto requirements can be met. The minimum premium is \$500 for GL and \$100 for inland marine. GL has a \$500 minimum deductible and auto has a \$500 comp and collision deductible. Policy forms are occurrence-based. Coverage is available in all states except Delaware, the District of Columbia, Maine, Massachusetts, New Jersey and Rhode Island. Auto is not available in New York, but the other lines are. Citadel accepts business from independent agents and brokers on a selective basis. Bank of the West is an endorsed retail provider.

Thomco, which includes PL coverage in its Pilot Car Choice program, sees a need to educate pilot car owners on the value of the coverage and how it differs from GL by providing protection from accident claims, as well as errors and omissions claims. Thomco has been writing its Pilot Car Choice program for about a year. The policy protects equipment and provides GL coverage. Thomco provides coverage up to \$1 million for combined GL/PL, as well as commercial auto. Limits of \$250,000, \$500,000, \$750,000 and \$1 million are available. The GL/PL policies currently on its books have no deductibles. The coverage is available in all states on an admitted basis. Thomco accepts business from individual agents and brokers.

RECESSION LEADS TO STAGNANT VIDEO GAME DEVELOPERS MARKET

Writers of video game developers take any business they can get in this ever-shrinking segment. **Specialty Global**, MGU for **Allied World**, stays very interested in video game developers despite difficulty growing the book. Wholesaler **Risk Placement Services**, which uses a number of markets including **Travelers**, **Chubb**, **CNA** and **OneBeacon**, continues to believe this segment has growth opportunities. **Fireman's Fund** and **Lloyd's of London** are other players in this class.

Carriers will keep rates for video game developers flat, or perhaps drop them slightly, as long as the recession keeps the independent developers from doing too much work. With far less investment and venture capital money out there than there was a year ago, the market of new video game programmers and developers has dried up. Meanwhile, over the last five years the video game industry as a whole has been consolidating into a handful of big companies such as Sony, Paramount and EA Sports, which means the number of insurable video game developers has been going down since the ones that work for these companies will be folded into the company's master-wrap insurance policy. Still, a bounce-back in funding for new games should occur once the economy recovers, and increasing exposure could also drive rates up. More and more video games run into intellectual property lawsuits as they use real-world graphics, products and music. Also, as more games use publicly accessible distribution platforms such as live, online feeds, the risks will increase. These factors combined with others — like the pervasiveness of violent and adult content — ensure that the video game industry remains largely an excess and surplus lines market.

Risk Placement Services (RPS) sees less investment money out there for video game developers, but still views this segment as a good opportunity and is optimistic about improvement as the economy recovers. The wholesaler uses a number of carriers for this class, including Travelers, Chubb, CNA and OneBeacon, in addition to a number of nonadmitted markets. RPS writes video game developers through its technology division, **Computer Center Business Insurance (CCBI)**. The package is usually GL (including AI/PI) and property, with E&O sometimes added. Limits go to \$1 million/\$2 million, with deductibles of \$25,000 and defense inside limits. Premiums generally range from \$2,500 to \$50,000. RPS focuses on the middle market.

Specialty Global likes video game developers, although the MGU for Allied World does not have a huge book for this, mainly because these aren't easy accounts to find. Specialty Global covers video game developers on its standard tech E&O form, which means coverage for copyright and trademark infringement are included. The MGU pays close attention to the type of gaming platform used and whether the intellectual property is original or created by a third party. Specialty Global can also write BI/PD coverage when appropriate. Premiums can go as low as \$2,500 for game developers but average in the \$10,000 range. Deductibles usually start at about \$5,000, although that depends on the amount of intellectual property exposure. Coverage is nonadmitted and available in all states. Limits go to \$5 million.

Customer Service
Tel: (800) 421-3483 Fax: (949) 900-3760
E-mail: market@crittendenonline.com

Newsroom Fax: (415) 475-1575

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