

Report: \$2 Billion in D&O Insured Losses from Subprime Credit Crisis

by NAMIC

Guy Carpenter & Company, LLC, a global risk and reinsurance specialist and a part of the Marsh & McLennan Companies, announced Nov. 7 the publication of "Credit Market Aftershock Threatens Professional Liability Profits," a briefing paper that assesses the impact of the subprime mortgage market collapse on the professional liability insurance market.

Although directors and officers (D&O) insured losses are expected to reach \$2 billion for claims filed in 2007, the full impact of the subprime crisis on the market may not be clear until 2008 or 2009, with total losses expected eventually to be substantially higher, according to the briefing.

"2007 could be considered an "incubation" year, with professional liability insured losses relatively contained," said Kevin Griffiths, head of Guy Carpenter's Global Casualty Specialty Practices. "However, as the subprime credit crunch continues to evolve, its impact on insurers will likely continue to grow. We expect losses to rise significantly higher in 2008 and 2009, due to increased stock market volatility and put/call ratios, litigation tendencies and an everlengthening list of subprime market casualties."

Griffiths added, "The developments in the subprime mortgage market could eventually prove positive for reinsurers, if the potential for loss reduces the downward pressure on rates and reinforces the value of reinsurance to ceding companies. The full consequences, however, remain to be seen."

A full copy of the briefing is available for download at www.guycarp.com. Printed copies can be obtained by contacting Guy Carpenter at marketing@guycarp.com.

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