PRESS RELEASE


# Torus Survey Spotlights Expected Price Firming & Continued Regulatory Concerns Within Management Liability & Professional Lines Market

*Expanding regulatory risks, rate increases and emerging exposures from social media underscore a changing landscape*

**November 27, 2012:** A recent survey undertaken by global specialty insurer Torus has highlighted a myriad of current issues facing the Management Liability and Professional Lines market. Designed to identify key trends affecting this segment, Torus found that:

- Management Liability and Professional Lines rate increases are anticipated in 2013;
- There is a growing concern over the expanded scope of regulation and escalating costs of compliance; and
- New risks are arising from privacy violations and breaches of network security .

"The results of our second annual Management Liability and Professional Lines survey show a marketplace that is firming across many customer segments and product lines," said Jeffrey Grange, Senior Vice President, Head of Professional Lines at Torus. "Poor loss experience in major classes coupled with increased exposures is driving rate increases. 2013 will be a challenging environment where coverage, limits and pricing are all on the table and actively re-negotiated at renewal. Underwriters must be prepared to maintain an open dialogue with producers and their clients, listening and working constructively to successfully navigate this complex and continually shifting risk environment."

**Market Braces for Regulatory Impact**

When asked which piece of legislation will have the greatest impact on the Management Liability and Professional Lines market over the next 12 to18 months, nearly half (49 percent) of respondents declared the Dodd Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") as the legislation to watch. This represents a major jump in concern when compared to last year's survey, which noted that just over one third (35 percent) of respondents believed Dodd-Frank would be the legislation likely to have the greatest impact on corporate governance.

"Even though it has been more than two years since Dodd-Frank has been passed into law, our survey results show this legislation remains at the forefront of the minds of agents, brokers, risk managers and others that work on behalf of the directors and officers of both public and private companies," said Sharon Raksnis, Senior Vice President, US Financial Institutions at Torus. "The industry continues to operate in an environment of heightened legal liability and Dodd-Frank is one of a handful of pieces of legislation that we must work to better address with clients and partners."

While Dodd-Frank topped the list of regulation to watch, the Patient Protection and Affordable Care Act ("PPACA") and Jumpstart Our Business Startups Act ("JOBS Act") also garnered

significant industry attention. According to the survey, 28 percent of respondents noted that the PPACA is the legislation to pay closest attention to while 23 percent selected the JOBS Act.

In looking more closely at the JOBS Act, 49 percent of respondents cited reduced compliance and disclosure as the biggest exposure that the JOBS Act would have on the D&O market. This was followed by crowd funding (21 percent), the increase in allowed shareholders from 500 to 2,000 (18 percent) and the ability of companies to advertise their private placement offerings (12 percent).

With last year's landmark passing of the PPACA, 36 percent of respondents declared that increased demand for professional liability coverage among Allied Health service providers would be the biggest impact that the law would have on the Management Liability and Professional Lines market. This was followed closely by increased demand for Technology E&O and Privacy & Network Security coverage due to electronic medical records (28 percent).

"The regulatory environment continues to move away from companies and their directors and officers, with an ever growing burden of compliance and disclosure especially in an age of heightened financial sensitivity," said Craig Grant, Vice President, US Head of Private Company Management Liability at Torus. "It is therefore more important than ever that insurers understand how these rules and regulations create new potential avenues of liability. We need to work in partnership with producers to build and tailor new solutions for clients across industry segments."

**Management Liability and Professional Lines Market to Drive Pricing Increases**
With renewals fast approaching, the survey highlights that the majority of respondents (87 percent) believe Management Liability and Professional Lines pricing will increase in 2013.

More specifically, 67 percent of respondents predict increases of up to 10 percent (35 percent expect an increase of up to five percent, followed by 32 percent that believe an increase of six to 10 percent). Nearly one in five (19 percent) respondents indicated that they expect to see prices increase by more than 11 percent, as compared to 2012 pricing.

When asked what segments will drive price increases, nearly one third of those surveyed (32 percent) selected Professional Liability, followed by EPL (31 percent), D&O (22 percent), and Fiduciary (5 percent).

"2012 was a year of widespread concern over pricing uncertainty. Today, the overwhelming consensus is an anticipation of rate increases in 2013," Mr. Grange said. "While pricing increases are a positive indicator for the market as a whole, we must remember that this environment will present many challenges to producers as they manage expectations while advising their clients, whether working with small and medium sized enterprises or large, complex publicly traded institutions."

**Nearly Three in Five Expect Increases in Demand for Media Liability Coverage**
As the use of social media platforms by small and medium sized enterprises (SMEs) continues to increase, the Management Liability and Professional Lines industry continues to caution these organizations about the numerous liabilities related to the distribution and creation of social content. In surveying PLUS attendees on this issue, 58 percent declared an expectation that SME requests for media liability policies – to mitigate social media risk - will increase (42 percent) or significantly increase (16 percent) in 2013. Only 6 percent of respondents believe that requests

will decrease (4 percent) or significantly decrease (2 percent). More than a third (36 percent) noted an expectation that requests will remain on par with 2012.

"As technology continues to increase the scope of exposures for SMEs utilizing social media, insurers must mitigate the risks associated with the rapid proliferation *and dissemination* of such content," said Christopher Cooper Assistant Vice President, Media Products. "An increasing number of respondents to this survey recognize the need for broader coverage – specifically media liability coverage - due to the potential risks small businesses face when introducing this medium into their business model."

In seeking to identify the biggest risk that SME's must address when using social media, one third (33 percent) indicated that data leakage was their primary concern, a modest uptick from last year's 29 percent. Contrastingly, only 8 percent of survey respondents believed that the biggest risk is the lack of explicit risk management policies and procedures, a stark drop-off from last year's 35 percent.

An additional 27 percent of respondents believe the biggest risks for SMEs is their the lack of control over potentially damaging content disseminated by employees while 19 percent believed it to be increased personal injury exposure (e.g. defamation, libel, slander). An additional 13 percent believed the biggest risk was increased copyright and/or trademark infringement and 8 percent thought it was the lack of explicit risk management policies and procedures.

**Notes to editors:**
The survey of 105 insurance professionals was conducted by Torus at the 2012 Professional Liability Underwriting Society (PLUS) International Conference in Chicago, IL on November 7-9, 2012. The survey includes responses from brokers, agents, insurers and risk managers.

**About Torus:**
Torus is a global specialty insurer with over 500 employees in 16 offices serving a global client base through its European, US and Bermudian based subsidiaries. Since launch in 2008 Torus now has an established insurance portfolio across technical property, specialty and casualty lines as well as a niche casualty and specialty reinsurance platform. Following the completion of the acquisition of Lloyd's Syndicate 1301 in January 2012, as well as acquiring the renewal rights to CV Starr's Continental European business, Torus now offers a wider portfolio of specialty products as well as a wider portfolio of business written through Lloyd's.

Torus also has capabilities in Latin America as an admitted reinsurer in Brazil and as a registered reinsurer in other select Latin American countries.

Torus carries a group rating of A - (excellent) from A.M. Best, most recently affirmed in November 2012.

For more information go to www.torus.com.

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