

BusinessWeek



PRICIER PREMIUMS FOR DIRECTORS

Board members at banks may want to start saving for a more-than-rainy day. A sharp rise in subprime-related shareholder lawsuits means that directors' and officers' liability insurance is harder to get—and much pricier. Premiums are up 50% to 300% in recent months, says Karen Kutger, a broker at Professional Risk Solutions in Blue Bell, Pa., and this has led some banks to “go bare,” or be self-insured. Should such banks become insolvent, she says, “directors are on their own” when it comes to paying claims.

Major banks typically seek \$50 million to \$100 million in total D&O insurance, Kutger says, but “I don't think they'd be able to get that these days.” If they do, they'll pay plenty. Kevin LaCroix, a manager at OakBridge Insurance Services' Beachwood (Ohio) office, says a big commercial bank with significant subprime exposure could pay up to \$200,000 per \$1 million of coverage. Insurers are also refusing to cover certain types of claims, says LaCroix, who has seen exclusions in new policies for exposure to the Madoff Ponzi scheme and accused fraudster R. Allen Stanford. “Underwriters are reading the headlines,” he says. —Michael Orey