

A four-step guide to selecting an insurance carrier: real estate

Real estate industry risk managers and insurance buyers often rely on the expertise of their brokers when choosing insurance carriers. While brokers provide valuable services, insurance buyers should be armed with enough knowledge to ask insightful questions and to make informed decisions based on the broker's recommendations. Understanding the key elements in choosing an insurance company that is a good match places insurance buyers in the driver's seat and enables them to make the most of their relationships with brokers.

All insurance buyers understand that price is important, and the financial stability of its insurer is a core issue. Choosing the right insurance carrier, however, can be more complex than is readily apparent. For example, the lowest price is not necessarily the best value. Smart buyers seek out financially strong insurance carriers offering offer tailored products that address their needs at a competitive price.

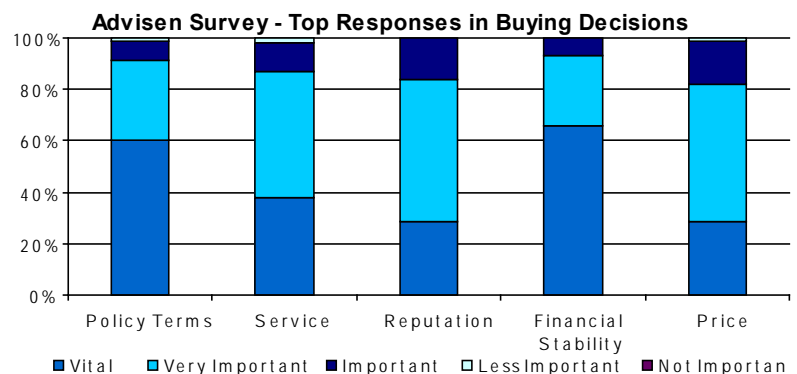
Making a mistake in the carrier selection process can have far-reaching consequences. Such consequences can range from lingering unpaid claims due to poor service, to insolvent carriers resulting from under-pricing policies and taking on imprudent investment portfolio risks, to underinsured specialty risk areas. The four broad areas for consideration in choosing the right insurer include: suitability, service and reputation, financial security, and price. These four areas are discussed below.

Suitability

A reasonable place to start is a general assessment of whether or not the insurance company is a good fit for real estate companies and specifically for the insurance buyer's firm.

Types of products. The types of insurance products purchased by real estate companies are mostly standard commercial property & casualty (P&C) policies such as: property, general liability, umbrella, and directors & officers (D&O) or general partner liability. Many commercial P&C insurance companies offer these products, and selecting a carrier that offers the full breadth of coverages could be advantageous regarding price and convenience of service. The specific policy terms and conditions, however, will differ between insurers.

In April 2009, Advisen Ltd. conducted the Advisen Survey of commercial insurance buyers with 250 respondents. In the survey, 60 percent of respondents ranked "policy terms and conditions" as a "vital" factor in their buying decision, and 31 percent ranked it as "very important."



While the core insurance products for real estate companies are standard P&C coverages, the number and variety of properties owned by some companies can create administrative headaches. Insurance buyers should look for an insurer that offers products which simplify the administration of complex insurance programs for portfolios of properties. Selecting one carrier with a broad range of policy types helps to accomplish this outcome.

Environmental coverage could become important for real estate companies, especially those involved in brownfield redevelopment. Property owners who have tenants with potential environmental issues, such as manufacturing operations and dry cleaners, also should consider environmental liability insurance, and should look for an insurer with expertise in this coverage.

Industry expertise. Despite the common forms of coverage for the real estate industry, firms in this sector pose specific insurance wrinkles. Carriers that are not experienced in the nuances of the industry can make incorrect assumptions that negatively impact coverage, pricing, and service. For this reason, buying insurance coverage from insurers with a particular expertise in real estate is important. Insurance companies with a dedicated team for this industry bring heightened value for buyers. This expertise extends beyond real estate underwriting expertise, to dedicated risk management and claims professionals who can provide critical points of service. For example, experienced risk management professionals can advise on property engineering, safety, and security issues. Furthermore, small- and mid-sized insurance buyers would like to see a significant service commitment to real estate companies of a similar size.

Licensing. Since insurance is a primarily state-regulated industry, not all insurance companies are licensed to write coverage in every state. Before starting the process of evaluating an insurer, insurance buyers should determine whether the insurer is an “admitted” carrier in their state. This means that the insurer is licensed and regulated by the state. Brokers can easily provide this information, and any reasonably prepared broker would not direct their clients to unlicensed carriers with the exception of a surplus lines insurer (described below). To be safe, insurance buyers can access this information through the Consumer Information Source page (<https://eapps.naic.org/cis>) of the National Association of Insurance Commissioners’ (NAIC) Web sites. After selecting an insurer and other criteria, select the “Licensing” report. A state-by-state report is available for each insurer.

If coverage is difficult to find with carriers licensed within the state of the insurance buyer, brokers might recommend a surplus lines insurer. Surplus lines are insurance lines that are written by “non-admitted” insurers - insurers not licensed in a state, but are permitted to write policies for coverages that most licensed insurers within the state will not cover. The same NAIC Web site page has non-admitted information for insurers state-by-state. It is important to note that these carriers are unregulated by the state, freeing the insurer of any premium and policy from regulations. If the insurer files for bankruptcy, insurance buyers of these policies can not collect from their state’s insurance insolvency funds set up for this contingency. Their only recourse is through bankruptcy courts.

Most real estate companies are locally oriented without global operations and cross-border strategic partners. However, if a company conducts business in more than one country, insurers with a global presence could be preferable as they have the capability to write and service policies nearly anywhere in the world.

Service and reputation

A reputation for good customer service, particularly efficient and friendly claims management, often ranks toward the top in the list of important insurance company characteristics. In the Advisen Survey, “service” was selected as either “vital” or “very important” by 88 percent of respondents, and “reputation” was selected by 83 percent of respondents. A survey conducted by a large insurer in April 2002 of 400 risk managers found that claims service was a “major” or “significant” factor in selecting

a new insurer by 76 percent of respondents. The top three important issues for claims service were: fairness of claims resolution, speed of response, and speed of claims payment.

Researching the reputation of insurance carriers is a daunting and subjective task. Word-of-mouth observations are often the most reliable source of information, particularly when assessing the subtleties of more official information. Checking with others in the industry is essential, and striking up conversations about this issue with industry counterparts could prove helpful. Industry associations may have information about insurance carriers' service on their Web sites, including insurer reviews by industry insiders, news articles, and blogs providing member feedback. Real estate industry and insurance buyer periodicals, from newsletters to magazines and their Web sites, are important sources of service information. Business Insurance magazine's Web site (www.businessinsurance.com) contains news, an assortment of blogs, and industry links, including links to various associations.

"Renewal rates" – the percentage of policies renewed by an insurer – are often cited as measures of customer satisfaction, since customers with good experiences will more likely renew. Insurance buyers can ask their broker to obtain them. Insurers, however, might be reluctant to reveal these rates, particularly if they are poor. Additionally, a lower renewal rate is not necessarily bad if the insurer is insisting on fair and adequate rates when the market overall is pricing insurance inadequately.

The deepest well of official and objective information regarding service comes from the complaints and resolution records of state insurance commissioners. The Web sites of all insurance commissioners can be found at a page on the NAIC Web site at www.naic.org/state_web_map.htm. NAIC collects and organizes many complaints at their own Web site's Consumer Information Source page at <https://eapps.naic.org/cis>, but they do not guarantee complete coverage, recommending a follow-up with the appropriate state commissioner departments.

This NAIC page provides the following sets of complaints information by insurer:

- Complaint counts by state;
- Complaint counts by coverage type (and by state);
- Complaint counts by reason for complaint (and by state);
- Complaint counts by final decision (and by state);
- Complaint ratio report (= US market share of complaints/US market share of premiums for a type of policy; the market average is 1.0 and higher means more complaints); and
- Trend report (year-to-year trend of complaints).

Financial security

The Advisen Survey revealed "financial stability" as the No. 1 "vital" selection with 66 percent of respondents, and 93 percent selecting it as either "vital" or "very important." An insurance policy has limited worth if the insurance company does not have sufficient capacity to weather the roughest of storms, such as the recent credit crisis. Rating agencies are usually the first stop for such an assessment.

Qualitative analysis. A.M. Best provides perhaps the best known insurance company rating called Best's Financial Strength Rating, and is one of the two major ratings used by real estate companies due to its widespread availability. According to A.M. Best, this rating is "an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations." The company utilizes both quantitative and qualitative evaluation techniques. The ratings can be found in Best's Insurance Reports and their Web site at www.ambest.com, but both require a subscription. The ratings can also be found in the insurer's Web site and insurance buyers can ask their broker to confirm the accuracy of the posted ratings.

Standard & Poor's (www.standardandpoors.com) is the other rating agency whose ratings are most widely used by real estate companies. Other agencies that rate the ability of insurers to meet their insurance policy obligations include: Moody's Investors Services (www.moody.com), Fitch Ratings (www.fitchratings.com), and TheStreet.com recently acquired Weiss Research's insurance ratings (www.thestreetratings.com). If insurers have been rated by these agencies, then those ratings should be available from the insurer's Web site and from brokers. S&P, Moody's and Fitch are also well known for their credit ratings. These ratings assess the ability of any company (i.e., not just insurers) to meet their debt obligations, which is not necessarily the same as meeting their insurance policy obligations.

Insurance financial strength ratings should also be used to assess the financial strength of an insurer's reinsurers. Insurers will often cede a portion of their risks to reinsurance companies to reduce their risk in particular areas. Some insurers cede large percentages of certain risks to reinsurers, which could mean that these insurers could be relying heavily on reinsurers to remain solvent and pay claims. Reinsurers' ratings are an important part of the assessment process of an insurer's ability to meet its insurance obligations, particularly if a large portion of its risk is ceded. On the other hand, an unrated or low-rated insurer could reduce its risk for insurance buyers if it cedes a large portion of its risks to a highly-rated reinsurer.

A qualitative analysis of an insurer's financial security should entail a management assessment. A management team with a long tenure is often a sign that the company has stability in its operations and internal controls. The level of expertise is also important, which is a culmination of both work experience and education. A governance change being proposed by many in light of some causes of the credit crisis is having a separate CEO and Chairman of the Board, avoiding conflicts of interest. The board of directors' job is to oversee top executives, particularly the CEO, in the interest of the shareholders. Proxy statements, annual reports, and Securities and Exchange Commission (SEC) filings such as 10-k statements usually have information regarding both length of time in the company and level of expertise. Information Web sites like Hoovers (www.hoovers.com) also have company executive information. Companies with an enterprise risk management (ERM) framework attempt to address all areas of risk holistically, including: strategic, operational, financial and hazard. Acquiring a feel for the perspective of management regarding ERM systems is part of a management assessment. Insurance brokers can help in this regard, as well as possible mentions in insurance periodicals and Best's Insurance Reports.

Quantitative analysis. An analysis using financial statements and ratios could become complicated, and broker assistance in this regard is highly recommended. Some brokers have "security committees" tasked with performing independent analyses of insurer financial strength. If insurance buyers with a particular financial acumen want to dig into the numbers deeply, Generally Accepted Accounting Principles (GAAP) financial statements for publicly traded companies can be obtained from the SEC's EDGAR Database at www.sec.gov/edgar/searchedgar/webusers.htm. Statutory financial statements, which are financial statements required by state insurance regulations for all insurance companies, may be accessible through the insurance commissioner offices of each state (www.naic.org/state_web_map.htm), or brokers may have copies on hand. Since stock price volatility could be a sign of instability, viewing stock price charts has its merits. Stock price charts are widely available at Web sites such as MarketWatch's Big Charts (bigcharts.marketwatch.com), Yahoo Finance (finance.yahoo.com), and Google Finance (www.google.com/finance), to name a few.

Despite the inherent complexity of quantitative financial analyses, certain numbers are worth viewing by all insurance buyers, with the assistance of their brokers. A.M. Best compiles the Best's Capital Adequacy Ratio (BCAR), which is incorporated into their Financial Strength Rating considerations. On its own, it is a valuable ratio as it is an objective way of measuring balance sheet strength of insurers, the foundation for policyholder security. The basic formula is: $BCAR = \text{Adjusted Policyholders' Surplus} / \text{Net Required Capital}$. A.M. Best makes proprietary adjustments to various balance sheet items, and compares the adjusted level of policyholders' surplus available to meet claims to the capital that they

believe (according to their calculations) will be required to meet those claims. A score over 100 percent is considered "secure" and a score below 100 percent is "vulnerable," with an "implied balance sheet strength rating" assigned to multiple score levels.

In addition to financial statements, certain basic financial ratios and other figures should be available at insurers' Web sites, and brokers help obtain them, as well. Some of the most important ratios include:

- Combined ratio;
- Loss ratio;
- Expense ratio; and
- Operating ratio.

The combined ratio is a vital statistic, measuring the success of insurers in achieving underwriting profits. This is an important measure of stability because underwriting losses will require insurers to make investment gains to pay for future claims and make profits. The combined ratio = (incurred losses + underwriting expenses) / premiums earned, expressed as a percent. In other words, it is the actual and expected losses from claims incurred during the period plus underwriting expenses, as a percentage of premiums earned for the period. A combined ratio below 100 percent means the insurer had an underwriting gain for the period, with a lower number meaning more underwriting profits. A ratio over 100 percent means there was an underwriting loss, with a higher number meaning a larger loss. It is common for some insurers to rely on investment gains for profitability, but it becomes riskier as insurers rely more on investment income. More conservative insurers, whom many believe to be the most stable and desirable, are those that strive to always write less than a 100-percent combined ratio and never to rely on investment income to offset underwriting losses.

The loss ratio and expense ratio are components of the combined ratio, but important in their own right. Loss ratio = incurred losses/premiums earned, expressed as a percent. This ratio measures the percentage of premiums earned for the period that was needed to pay actual and expected losses incurred during that period. The loss ratio provides insight into the level of underwriting discipline of insurers. This means that insurers are sufficiently disciplined to price their policies high enough to pay claims, foregoing top-line gains of easy premiums earned from selling a high volume of policies at discounted prices. Underwriting discipline is integral to the concept of pricing policies at a sustainable level, discussed earlier in the "price" section.

The second component of the combined ratio is the expense ratio. Expense ratio = underwriting expenses/premiums earned, expressed as a percent. This ratio measures the percentage of premiums earned for the period needed to pay brokerage, administrative expenses, and other operating expenses. The expense ratio provides insight into the efficiency of an organization so that insurance buyers can be assured that their premiums are not being used to an excessive degree for the insurer's own costs and are available for covering claims. It is also a measure where insurance companies can distinguish themselves from competitor insurers, allowing higher profitability, and providing more stability for insurance buyers in the long run. A low expense ratio, however, could be a sign that support and service staff was cut, hurting the service part of this evaluation. In both ratio cases, a higher number is riskier. Note that the sum of the loss ratio and expense ratio equals the combined ratio.

The operating ratio is also related to the combined ratio. Operating ratio = the combined ratio – (investment income / premiums earned), expressed as a percent. The second part of this ratio is the investment income ratio, which expresses the investment gains and losses from insurers' investment portfolios as a percentage of premiums earned to place it on par with the combined ratio. Since the combined ratio does not consider investment gains, the operating ratio removes the investment gains from (or adds investment losses to) the losses incurred and operating expenses for the period. An

operating ratio below 100 percent means that the insurer experienced an operating gain for the period from both underwriting and investing activities. A ratio of over 100 percent means that the insurer had an operating loss for the period, so investment gains were not enough to overcome underwriting losses. In this case, the insurer will need to have future operating gains from either underwriting or investing activities to avoid continually losing policyholders' surplus without raising more capital. This can be seen as a bottom-line ratio.

The makeup of the investment portfolio is critical for insurer financial security. The investment portfolio is how unpaid claim reserves and policyholders' surplus are invested. Insurance buyers would prefer to see a conservatively managed portfolio to help ensure that the funds will be available, particularly in the case of catastrophic financial events such as the recent financial markets meltdown. Growth prospects, however, are important, as well, so that the funds can keep up with claim payment inflation, and provide insurers with the flexibility to weather soft premium markets where underwriting profits are scarce. Certainly, stability of the investment portfolio is the primary concern. The percentage of the portfolio in equity investments is an important figure, as most of the riskier investments are in this section. The breakdown of the bond portfolio is also important, considering the breakdown by bond ratings and types of bonds (i.e., corporate, Treasury, municipals). The safety of many municipal bonds has been under scrutiny lately, with tax revenue shortfalls abound as evidenced by California's recent troubles. Investment portfolio breakdown information can often be found at insurance company Web sites, and can also be obtained with broker assistance. Schedule D of the statutory financial statements contains this information, albeit in a complex format, which may be available from the insurance commissioner offices of each state (www.naic.org/state_web_map.htm).

Other basic financial figures include net income, premiums earned, premiums written, shareholders' equity, policyholders' surplus, and policyholders' surplus growth. The Consumer Information Source page (<https://eapps.naic.org/cis>) of NAIC's Web site contains a "financial information" section. After choosing the insurer by state, it provides a myriad of basic financial data and charts. Its charts include: a breakdown of premiums earned by line of business; investment asset mix; policyholders' surplus trend; premiums earned trend; and an income and loss trend covering net income, underwriting gains and losses, and investment gains and losses.

Price

Prices paid for a particular insurance policy, or premiums, are certainly an important consideration in choosing an insurer. In the Advisen Survey, 53 percent claimed price to be "very important," while 81 percent selected either "vital" or "very important." Like any other purchase, however, price is important relative to what is being purchased, making "value" the critical element.

Variables influencing the cost of insurance include the policy limit of liability, the retention or deductible, where the insured property is located, and specific characteristics of the property that influence claims. Every insurer applies different underwriting and pricing criteria to these factors, and premiums can vary widely from insurer to insurer. Brokers should provide competing price quotes from insurers with an explanation for price differences. It is critical for real estate industry companies to benchmark their premiums against premiums paid by other companies with similar retention and limit characteristics for the same type of policy. Furthermore, benchmarking exercises need to consider other similar types of real estate companies with similar size characteristics in the same region. Insurance buyers should ask their brokers for benchmarking data on similar companies.

Price becomes further complicated when considering the strategy behind the premiums quoted by insurers. Price versus value is a balancing act for all purchases, and insurance is no exception. Insurers may quote low premiums to increase their market share in a particular area, such as developing a larger middle-market real estate developer business. This is not necessarily a dangerous strategy, but when taken to the extreme it could prove to be perilous for insurance buyers. If an insurer has taken

on too much risk at unsustainable premium levels, it could threaten the financial well-being of the company. In the end, insurance buyers want to make sure their insurer will be around when claims payments come due. At the very least, improperly priced policies can lead to large price corrections, making it difficult for buyers to budget their insurance costs from year to year.

It is in the best interest of insurance buyers to determine whether their insurers are pricing their policies at sustainable levels. Otherwise, premiums paid could end up as cash thrown down a big black hole, revealing that paying a low price could result in little or no insurance value. Brokers should help insurance buyers navigate this issue, and insurance buyers may want to conduct their own financial analysis as discussed below.

Managing the evaluation process

Navigating the process for selecting the proper insurer for the varying needs of real estate companies presents a road fraught with a plethora of potholes and potential dangers. Adding a few speed-bumps and considerations can help insurance buyers manage the process by avoiding dangers and staying on course. Evaluating the suitability of insurers considers the breadth of coverage offered and industry expertise of the carrier. A reputation for good service is a valuable attribute, and insurance buyers can amass this information from colleagues, industry press outlets, and state complaints and resolution records. A proper financial analysis, both qualitative and quantitative, is crucial to assessing the financial stability of insurance companies. Finally, prices should be benchmarked against the prices paid by industry counterparts and compared to competitive bids, but balancing price with value is of equal importance.

The process for evaluating insurance carriers can be long and complicated. If insurance buyers, however, stay disciplined to a specific plan, the process can be more manageable and can yield more fruitful results. To make the process easier to navigate, a two-page “tear-out” checklist is provided in the last two pages.

Carrier Selection Process Checklist

Insurer _____ Policy Period _____

Suitability

Types of products

- Carrier has all basic policy types for real estate companies.
- Carrier has specialty policy types. Specialty types: _____
- Specific terms and conditions are acceptable.

Industry expertise

- Carrier has a dedicated real estate industry team, with underwriting, risk management, and claims expertise.
- Carrier serves real estate companies of similar size.
- Carrier serves similar types of real estate companies.

Licensing

- Carrier is admitted in the appropriate states.
- For non-admitted carriers, is an approved surplus lines carrier in appropriate states.
- If using surplus lines, performed financial security analysis with extra due care.
- For foreign exposures, carrier has operations in appropriate countries.

Service and reputation

- Colleagues in industry testify to good service.
- News stories in industry periodicals and Web sites, as well as industry Web blog testimonials, claim good service.
- Policy renewal rates are high (unless a good reason for dropping risks).
- Complaints and resolution records suggest good service. (Check NAIC and state insurance commissioners' Web sites.)

Price

- Consider price versus value balance.
- Price in line with competitors given the same retention and limits.
- Price in line with benchmarked data of similar insurance buyers in the real estate industry, in the same region, and similar sized companies.
- If price is out of line, do other factors justify it (e.g., competitor prices unsustainable, better service, more financially secure, etc.)?

The information in this checklist was compiled from sources believed to be reliable for informational purposes only. All checklist items should serve as a guideline which you can use to create your own risk assessment. We trust that you will customize this checklist to reflect your own operations and believe that this form may serve as a helpful platform for this endeavor. Any and all information contained herein is not intended to constitute legal advice and accordingly, you should consult with your own attorneys when developing programs and policies. We do not guarantee the accuracy or completeness of this checklist or any results and further assume no liability in connection with this checklist.

Financial security

Qualitative analysis

- Insurance ratings high enough. A.M. Best _____; S&P _____; Moody's _____; Fitch _____; TheStreet _____
- Insurance ratings of principal reinsurers high enough. A.M. Best _____; S&P _____; Moody's _____; Fitch _____; TheStreet _____. Percentage of premiums ceded to reinsurers = _____.
- Management team has long tenure.
- Management team exhibits high degree of expertise.
- CEO and Chairman are different people.
- Comprehensive enterprise risk management (ERM) framework.

Quantitative analysis

- Research and analysis of financial reports and stock charts. (optional)
- Best's Capital Adequacy Ratio high enough. BCAR = _____.
- Combined ratio low enough. Combined ratio = _____.
- Loss ratio low enough. Loss ratio = _____.
- Expense ratio low enough. Expense ratio = _____.
- Operating ratio low enough. Operating ratio = _____.
- Investment portfolio invested conservatively, yet with growth prospects.
Percentage breakdown by asset class: _____
—
- No concerned area of investment portfolio.
If concern, areas are: _____
- Ancillary financial figures look OK (e.g., net income, premiums earned, premiums written, shareholders' equity, policyholders' surplus, etc.).

The information in this checklist was compiled from sources believed to be reliable for informational purposes only. All checklist items should serve as a guideline which you can use to create your own risk assessment. We trust that you will customize this checklist to reflect your own operations and believe that this form may serve as a helpful platform for this endeavor. Any and all information contained herein is not intended to constitute legal advice and accordingly, you should consult with your own attorneys when developing programs and policies. We do not guarantee the accuracy or completeness of this checklist or any results and further assume no liability in connection with this checklist.

Why Zurich Real Estate?

www.zurichna.com/realestate

Coverage breadth

- More than 14 base real estate property, casualty, environmental and management liability products from a single insurance provider, Zurich North America Commercial.
- Customized with more than 36 additional property coverage enhancements.
- Ability to cover your real estate exposures in U.S. locations as a single entity, which helps you reduce coverage gaps.

Ease of doing business

- A dedicated real estate team experienced to provide solutions for a wide range of real estate risks
- In 2008, Zurich had a 95 percent same-day response rate for claims.
- Streamlined acquisition rates and parameters with quarterly adjustments for any newly acquired property, to make your real estate transactions faster.

Financial strength - Zurich Financial Services

- Underwriting property-casualty insurance for 70 percent of Fortune 100 companies in the U.S.
- Industry financial ratings from AM Best A (stable), Standard & Poor's AA- (negative).
- Zurich Financial Services Group has a conservative, well-diversified portfolio of Group investments of roughly \$180 billion (as of December 31, 2008):
 - Minimal sub-prime exposure (0.09 percent of investments)
 - Low exposure to equities at 3.3 percent of investments
 - Corporate bonds at 99 percent investment grade
- Combined ratio - 96.20 percent, loss ratio – 70.6 percent, expense ratio – 25.6 percent

Risk management

- 635 risk management and safety professionals in North America providing 100 value-added services to control real estate risks, including fire protection safety, response plans to natural hazards, security and ergonomics.
- The only major provider with an in-house staff of certified property appraisers, averaging 25 years of professional experience

This report was produced by Advisen Ltd. Advisen integrates business information and market data for the commercial insurance industry and maintains critical risk analytics and time-saving workflow tools for over 530 industry leading firms. Advisen combines the industry's deepest data sets with proprietary analytics to offer unique insights into risk and insurance. For more information, visit <http://www.advisen.com>.

The information in this publication was compiled from sources believed to be reliable for informational purposes only. All sample policies and procedures herein should serve as a guideline which you can use to create your own policies and procedures. We trust that you will customize these samples to reflect your own operations and believe that these samples may serve as a helpful platform for this endeavor. Any and all information contained herein is not intended to constitute legal advice and accordingly, you should consult with your own attorneys when developing programs and policies. We do not guarantee the accuracy of this information or any results and further assume no liability in connection with this publication and sample policies and procedures, including any information, methods or safety suggestions contained herein. Moreover, Zurich reminds you that this cannot be assumed to contain every acceptable procedure or that additional procedures might not be appropriate under the circumstances. The subject matter of this publication is not tied to any specific insurance product nor will adopting these policies and procedures ensure coverage under any insurance policy.

Insurance is underwritten by Zurich Insurance Company and other insurance company subsidiaries within the Zurich Financial Services Group including, in the US, Zurich American Insurance Company and its underwriting subsidiaries. Certain coverages not available in all states. Some coverages may be written on a nonadmitted basis through licensed surplus lines brokers. Insurance product obligations are the sole responsibility of each issuing insurance company. For example, only the assets of Zurich American Insurance Company (and no other assets of the Zurich Financial Services Group) are available to meet its obligations for the performance of its products. This information is consolidated Zurich Financial Services Group financial information as of December 31, 2008, and is not audited. For more complete financial information, audited annual statements of the Group and information on the ratings of the underwriting companies of Zurich in North America, access www.zurich.com. No assurances can be given, and we make no representations, that such information has, or has not, changed since December 31, 2008.