

IMPLEMENTING ERM



DIRECTORS AND OFFICERS LIABILITY RISK FINANCING

- How well does the organization protect its directors and officers from D&O liability lawsuits, both while working for and after leaving the company?
- Are the insurance purchasing objectives of the organization completely aligned with those of our individual directors and officers?
- What can we do to mitigate the potential for a claim and assure protection in the event of a claim?

OVERVIEW

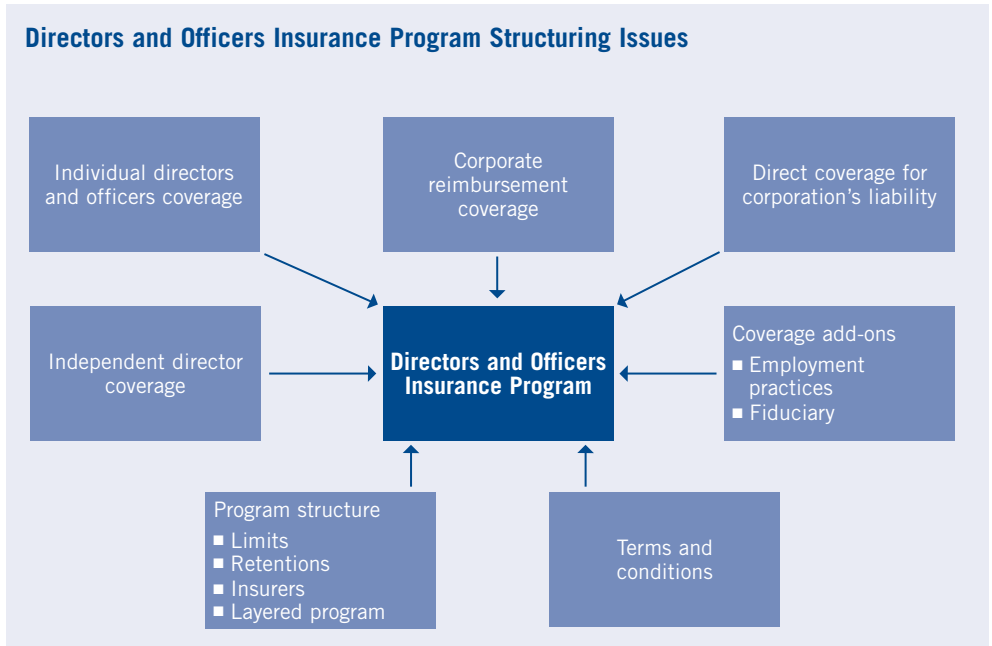
Directors and officers (D&O) are stuck between a rock and a hard place. Their most important role is to help the company take risk and build shareholder or organizational value. However, their actions may trigger a D&O lawsuit that could threaten their personal wealth.

At the beginning of 2006, the market had not heard of option backdating. Now there are more than 100 option backdating claims against directors and officers in the courts. This issue has come swiftly on the back of the lawsuits generated by the collapse of the WorldCom and Enron generation of companies.

These high-profile risks have brought D&O coverage to the forefront of issues being addressed by boards and senior management. But many companies' D&O programs fail to undergo a thorough risk management analysis, leaving companies and directors and officers exposed to unnecessary risk.

THE TOWERS PERRIN APPROACH

A thorough D&O liability risk assessment will analyze exposures from the broader structural aspects of the program through to the detail of terms and conditions of the policies. A D&O insurance program review provides an



independent assessment of the reasonableness and quality of the D&O program as it relates to your organization and its risk profile.

Towers Perrin works with clients to:

- Explore the company's objectives with respect to its D&O insurance program. Is the main objective to minimize cost to the company, or to cover the organization itself for its own liability or payments it must make to the directors and officers? Increase the scope of the coverage by including other risks, or to ensure that directors and officers are comfortable with their level of protection?

- Check corporate indemnification provisions to see if there are opportunities to improve the breadth of coverage to directors and officers.
- Ensure a thorough understanding of current issues in the litigation environment and the current insurance marketplace, including current trends in D&O claims and insurance purchasing practices.
- Identify the best structure for the program based on the company's unique risk profile, goals for the coverage and appetite for risk.

TOWERS PERRIN PUBLICATIONS AND COMMENTARY

We are ERM thought leaders who contribute to the development of the discipline with publications and commentary, including:

“Directors and Officers Liability: 2006 Survey on Claims and Insurance Purchasing Trends,”
Towers Perrin Report, 2007

“Economic Capital and Enterprise Risk Management: A Rating Agency Perspective,”
Towers Perrin Roundtable, 2007

“Risk Management. Risk Opportunity. The 2006 Tillinghast ERM Survey,” *Towers Perrin Report*, 2006

“A Changing Risk Landscape: A Study of Corporate ERM in the U.S.,” *Towers Perrin Report*, 2006

“Insurers, ERM and the Rating Agencies,”
Update, 2006

“ERM — An Integral Way of Doing Business,”
Emphasis, 2006

“Life Insurance CFO Survey #15: Key Challenges for 2007,” *Update*, 2006

“ERM Helps Risk Managers Cope With Wider Risk,”
National Underwriter, 2006

“Life Insurance CFO Survey #13: Enterprise Risk Management,” *Update*, 2006

“Coming of Age: ERM’s Value in Strategic Planning,”
synnovation, 2006

“Pension Risk Management,”
Towers Perrin Roundtable, 2006

“Adding Value Through Risk and Capital Management,”
Towers Perrin Report, 2005

“The Chief Risk Officer — What Does It Look Like and How Do You Get There?” *Risk Management*, 2005

“Enterprise Risk Management — From Compliance to Value,” *Financial Executives International*, 2005

“ERM: Embracing a Total Risk Model,”
Financial Executives International, 2005

“The Growing Need for Effective Operational Risk Management for Wealth Management Companies,”
Institute of Actuaries of Australia, 2005

- Review existing programs for consistency with the company’s purchasing philosophy, program cost and current market conditions regarding capacity, pricing and coverage restrictions.

- Develop an understanding of peer group D&O coverage through data from our annual survey.

A RECORD OF SUCCESS

Towers Perrin is recognized as an industry leader in the areas of D&O liability, enterprise risk management and risk financing. We work with hundreds of clients to:

- Determine appropriate levels of risk retention and transfer.

- Compare the cost and efficiency trade-offs between different types of liability insurance coverage.

- Structure D&O insurance programs to provide the requisite amount of coverage and protect the interests of directors and officers individually and those of the organization.

- Source good-value insurance from high-quality providers.

ABOUT TOWERS PERRIN

Towers Perrin is a global professional services firm that helps organizations around the world optimize performance through effective people, risk and financial management. The firm provides innovative solutions to client issues in the areas of human resource strategy, design and management; actuarial and management consulting to the financial services industry; and reinsurance intermediary services.

Towers Perrin’s ERM practice offers clients the ability to understand the full spectrum of risks faced by their organization and to create additional value by actively managing their key risks. Clients can deploy ERM to upgrade business planning through better articulation, quantification and oversight of the risks that drive value, and improve their ability to assess and implement risk solutions — both operational and transactional — to achieve their business objectives.

To discuss how Towers Perrin’s ERM practice can assist with the D&O needs of your business, please contact:

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