

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 Watson 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 Watson 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.
- 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 Watson is recognized as an industry leader in the areas of D&O liability 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.

For more information or to contact a Towers Watson consultant, please visit www.towerswatson.com.

About Towers Watson

Towers Watson is a leading global professional services company that helps organizations improve performance through effective people, risk and financial management. With 14,000 associates around the world, we offer solutions in the areas of employee benefits, talent management, rewards, and risk and capital management.