

Directors and Officers Liability

- Are the purchasing objectives of your organization aligned with those of your individual directors and officers?
- What loss prevention procedures can you take now to minimize liability exposure?
- Have you conducted an independent analysis of your D&O program?

Overview

The exposures faced by directors and officers (D&O) today are arguably at an all-time high. All companies, regardless of size or industry, face litigation from many sources, including shareholders, regulators, derivative lawsuits, customers, employees and vendors. In addition, corporate bankruptcies continue to climb at alarming rates.

It is extremely important that organizations understand these exposures and make every effort to minimize them as they relate to their own D&O policy. It is also critical that organizations have an understanding of the various coverage components that make up a D&O policy, including:

- **Coverage A: “Non-indemnifiable” coverage**
Coverage applies where the organization either is not permitted by law, or unable due to insolvency, to indemnify its directors and officers (e.g., bankruptcy, outside course/scope of duties, derivative matters) — generally, no deductible applies
- **Coverage B: “Corporate Reimbursement” coverage**
Coverage where the organization indemnifies its directors and officers as permitted and/or required by law
- **Coverage C: “Entity” coverage**
Coverage for direct claims against the organization — for public corporations, entity coverage is generally limited to securities claims

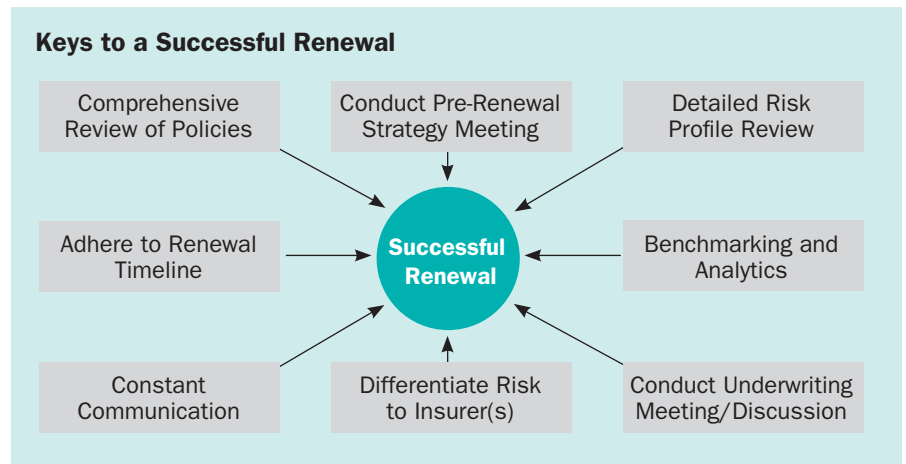
Successful client/broker relationships go well beyond the insurance transaction. At Towers Watson, our expertise and consultative approach are among our greatest strengths — key attributes that clients tell us distinguish us from our competitors.

The Towers Watson Approach

Our approach to all renewals is highly strategic and collaborative. We typically provide clients with a detailed risk profile designed to demonstrate how underwriters may view their risk. We’ll explore your company’s objectives with respect to its D&O insurance program, and help ensure that you understand what you purchase and the reasons for doing so. We’ll also engage in an in-depth discussion of the D&O insurance market, including current trends in the business and legal environment, and what you as an organization can do to minimize the threat of potential litigation.

We’ll work with you to address questions and issues such as:

- Should your organization purchase “Side A DIC” coverage?
- Have the excess layers of your policy been reviewed?
- How broad is your indemnification agreement?



- How will the rise in corporate bankruptcies affect your organization?
- If you have international operations, should you consider purchasing a “local” policy?

Towers Watson’s approach to service and distribution is done with one thing in mind — our clients. This approach affords you additional renewal options by providing access to markets that our competitors do not engage. And it ensures that all programs are best in class from a coverage and pricing standpoint. Our income for all placements is completely transparent and void of any contingent commissions. You, the client, are our sole focus, not the insurer.

A Record of Success

Towers Watson professionals have extensive experience negotiating D&O coverage for a wide range of clients. We have direct contact and maintain strong, established relationships in all of the key markets. Our distribution network exceeds \$650 million in executive liability premiums placed in the market.

Towers Watson’s Corporate Risk Advisory and Brokerage practice provides a sophisticated alternative to traditional insurance intermediaries — one that combines seasoned insurance brokerage expertise with the strong analytical resources of Towers Watson. We’ll work closely with you to develop innovative risk management solutions so you are well prepared to handle risk financing challenges in today’s environment.

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

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.