EXECUTIVE RISKS PRACTICE

FIRST WORD

March 2009 - Issue 1

www.willis.com

UNDERWRITERS ARE DIGGING DEEPER

ISSUE

PUBLIC CONFIDENCE IN GOVERNMENT REGULATORS HAS TUMBLED IN THE WAKE OF THE WORLD FINANCIAL CRISIS.

One of the most startling realities of the economic downturn has been the number of sensational cases involving companies operating under significant regulatory oversight. Case in point: Bernie Madoff continued to operate history's largest Ponzi scheme for years *despite numerous complaints to the SEC dating back to 1999*. Other massive losses have involved mutual funds subject to strict SEC review, banks regulated on multiple fronts and publicly traded companies regulated under laws ranging from the Securities Act of 1933 to Sarbanes-Oxley. As the losses have piled up, the lack of effective regulatory oversight has been identified as a main culprit.

IMPACT

UNDERWRITERS ARE LESS LIKELY TO TRUST A CLEAN REGULATORY BILL OF HEALTH - THEY WANT TO SEE FOR THEMSELVES.

An unforeseen consequence of the loss of confidence in the regulatory system is an increase in insurer scrutiny while underwriting Management and Professional Liability renewals. In years past, a favorable regulatory examination would have eased underwriters' concerns regarding corporate governance and financial well being. No longer. Underwriters want more documents and information.

ACTION

CONNECTING UNDERWRITERS WITH YOUR C-SUITE WILL USUALLY BOOST CONFIDENCE IN YOUR FINANCIAL REPORTS.

The desire for greater insight into a company's operations can be addressed by setting up underwriting meetings with C-suite personnel, such as your CFO and General Counsel. The discussion may need to focus not only on final reports and public filings themselves, but the process used in preparing the documents. Input from your internal auditing department, and external auditors where possible, can be invaluable. Insight into your company's dealings with the rating agencies is another area of paramount concern to underwriters. For privately held companies, this need for disclosure is even greater, as underwriters traditionally receive less information from these risks. In our experience, a peek behind the curtain often provides as much, if not more, insight into corporate governance than the report itself.

CONTACT

Michael White
Willis HRH Executive Risks Practice
212 915 7830
michael.white@willis.com