Corporate Governance and D&O Survey Results 2004
AGENDA

• A little on JLT.
• The link between D&O Insurance and Corporate Governance.
• Key D&O Insurance messages.
A little on JLT
Jardine Lloyd Thompson Asia

We are a leading provider of risk solutions, insurance & reinsurance broking, corporate consultancy and employee benefits programs in Asia.

We employ 500 staff and operate in 10 Asian territories with strong worldwide representation in Bermuda, Ireland, UK & US.
JLT Areas of Expertise

- Financial Solutions
- Claims Consultancy
- Construction
- Corporate Risks
- Employee Benefits
- Marine
- Natural Resources
- Reinsurance
- Risk Management
- Technology Risks

“Success in our chosen fields has helped JLT to become one of the world’s largest international insurance and reinsurance brokers – today we represent an annual client premium spend in excess of $5 billion.”
Asia Broker of the Year for 3 consecutive years

The award is a recognition of JLT’s leadership in product and service excellence.

2001
“Comprehensive professional advice”
“Deliver the best possible solutions”

2002
“Ground-breaking projects”
“Impressive growth in a difficult climate”

2003
“Consistent focus on quality”
“Personal approach in delivering innovative solutions”
The Linkage between D&O Insurance and Corporate Governance
The Linkage

• Good corporate governance = good D&O liability risk management.
• Independent Directors want sound insurance and balanced boards need the best independent directors.
• 80% of the responding companies also felt that D&O liability insurance was an essential part of a company’s insurance program and almost 70% felt that this was an essential component of good corporate governance.
• 62% also reported that their directors were very much interested in the scope of D&O insurance cover these days.
• Excessive Corporate Governance can strangle directors – D&O insurance provides some security and freedom of movement – dangerous?
• Warren Buffet / Berkshire Hathaway counter-position.
Survey benefits

- Enhance the visibility and benefits of good corporate governance
- Better understanding of litigation against directors in Singapore – very revealing!
- Benchmarking of limits of indemnity
- Perpetuate the importance of D&O for better corporate governance in Singapore
- Appease the concerns of insurers
- Better educate the privately held companies
- Comparison to HK and other jurisdictions – more cover but less perception of risk in Singapore
Key Messages
All rosy in the garden?

- Most companies (68%) reported paying an annual premium of less than S$40,000. Another 6% reported the premium amount to be between S$40,000 to S$100,000.
- 67% of the respondents felt that having an insurance broker adds value to their insurance program:
  - advise on various types of cover;
  - negotiate favorable terms;
  - assist in settlement of claims.
- Just 11% of the companies felt that the insurance premium was not good value for money while a majority felt that the premium was commensurate with the coverage provided.
All rosy in the garden?

• The chances of successfully defending a claim are very low – only 29%.
• Half the respondents felt that the policy was too restrictive with too many exclusions.
• “Claims made” policy, breach of conditions…..
• Outside directorship cover.
• Lack of “regulatory” cover – 26% Singapore and 47% in Hong Kong. Fines and penalties not covered and derivative actions sometimes excluded.
• Severability issues.
• Capacity reductions.
• Entity coverage.
One Asian Company’s Solution

• Creative Technology plans to delist from NASDAQ and keep its primary listing in Singapore – 30 January 2003.

• WHY? Creative's chairman Sim Wong Hoo explained:
  – “NASDAQ trading volumes less than one-tenth SGX”
  – “Rising costs of maintaining the listing”
  – “Meeting the new and onerous reporting obligations”
  – “D&O insurance for potential shareholder litigation, accounting fees, legal fees and other corporate governance-related costs”