

IDEAL: D&O STATISTICAL ANALYSIS MODEL

BUILDING A FOUNDATION FOR INFORMED DECISIONS

Directors and officers at publicly traded companies face a variety of risks, including the potential for derivative actions, breach of fiduciary duty, regulatory proceedings, single shareholder actions, and customer and competitor claims. To mitigate these risks, many organizations purchase directors and officers (D&O) liability insurance coverage.

As the most significant exposure facing directors and officers, securities class-action litigation drives the pricing of directors and officers liability insurance.

Recognizing the exposure that directors and officers have to securities class-action litigation, Marsh's FINPRO Practice and Marsh Business Analytics (MBA) created IDEAL—Identify Damages, Evaluate and Assess Limits. This dynamic limit and retention decision-support tool uses advanced frequency and severity analysis to help companies evaluate the structure of their D&O programs.

SUPPORT FOR INSURANCE PURCHASING DECISIONS

IDEAL is designed to provide decision-making support when evaluating publicly traded D&O liability insurance limits. It is built upon two databases:

- S&P Capital IQ's database of 7,500 companies traded on the US national stock exchanges.
- ADVISEN's database of more than 2,100 securities class-action settlements.

Who it's for

- All US publicly traded companies, regardless of size or industry.
- Companies that want to improve their decisions by making the most strategic use of a variety of data.
- CFOs, treasurers, and other finance executives who want to thoroughly understand risk—including its volatility—and its implications for their organizations.
- Risk managers who want to incorporate data and analysis into their insurance and risk management program strategies and budgeting.

What you get

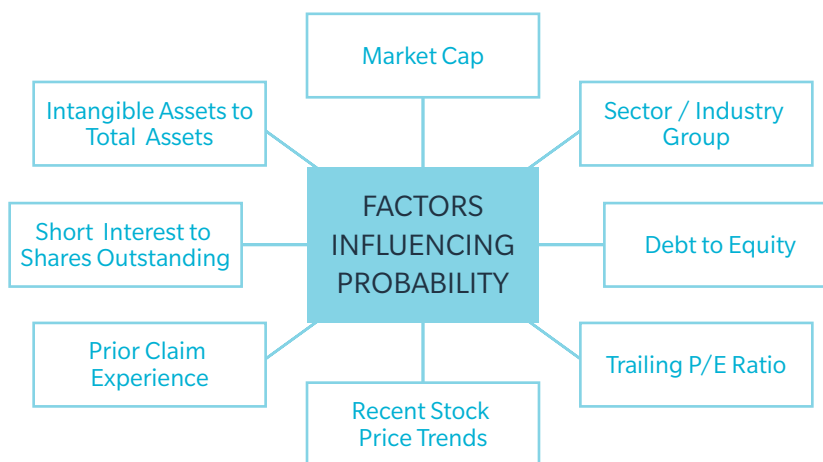
- Data-driven support to inform your decisions about risk management and insurance needs.
- Analyses geared to your industry and your firm.
- Support for negotiating positions in the insurance marketplace.

Using actuarial and statistical regression techniques, IDEAL provides clients with a full distribution of securities class-action settlement amounts derived using client-specific independent variables, including market capitalization, industry, beta, trailing price/earnings (P/E) ratio, and total assets. As a result, IDEAL allows our clients to:

- Quantitatively examine the susceptibility of securities class-action litigation.
- Suggest hypothetical shareholder class-action settlement values based on specific client inputs.
- Increase awareness of potential sources of claims.
- Enhance knowledge of the D&O litigation environment, the primary driver of D&O rates.

IDEAL SAMPLE: PREDICTABILITY

IDEAL considers a range of inputs as it looks at questions, for example about the predictability of lawsuits: What is the probability that the company will face a securities class-action over the next 12 months?



This chart is for illustrative purposes only and represents only a small piece of what an IDEAL analysis includes.

MARSH'S FINPRO PRACTICE

Marsh is the world's leading management liability broker, with a global network of more than 1,000 professionals. We offer a wide variety of consulting services around the issues our clients face, including claims advocacy, cyber risk liability, initial public offerings, corporate governance, and other areas of concern for our clients. Our client base ranges from the largest global companies to small, privately held companies in all industries.

INNOVATIVE RISK SOLUTIONS

IDEAL was recognized as a "2010 Risk Innovator" by *Risk & Insurance*. IDEAL is most valuable when married with Marsh's full suite of analytical tools, developed to help clients make strategic, fact-based decisions. Our robust analytical tools, including our proprietary benchmarking and D&O risk profile, allow us to present strategic decision-making information in a clear and concise fashion and gives our clients confidence in their overall D&O insurance program design.

For more information about IDEAL and other solutions from Marsh, visit marsh.com, or contact your local Marsh representative.

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