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Unlocking Value of Professional Liability Insurance

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Unlocking value in the Professional Liability Policy

- Overview
- The insurance marketplace
- Existing buyers
- Insured through a Global Policy
- Exempt CMS
- What can we do to help?
- The PI Policy

Professional Liability/Indemnity (PI) Insurance Regulatory Overview



Singapore:

Required of providers of financial services for CMS licence

CMS-Exempt:

Not required to purchase PI insurance

Recession brings out the worst
Financial services most exposed

Risk Type	Rating
Claims of mis-selling or rendering bad financial advice, mismanagement, breach of investment guidelines	High
Investigation by the regulators	
Errors of back-end employees	
Shareholder lawsuits against company directors	Medium
Employee lawsuits	Low

Companies in the business of financial advice are most exposed.

What's happening in the insurance market place?

- Capacity
 - Available but on selective basis
 - New entrants
- Costs
 - Increasing in the US, London, Australia
 - Asia : trending upwards
- Coverage
 - Policy form is evolving
 - Expansion in coverage
- Flight to Quality
 - Insurers are putting their capacity on quality, not quantity
 - Need to differentiate on the basis of management quality, investor profile, scope of professional services

Unlocking value in the Professional Liability Policy

For existing buyers: Are you getting value for your money?

- Do you know what the PI policy covers?
- Scope of coverage – is it current?
 - Definition of Claim
 - Who is covered?
 - What is covered?
- Read the fine print!
 - Exclusions
 - Conditions: claims notifications, circumstances
 - Important changes
- Supply & Demand
 - There are new players in the market
 - Engaging your insurer



Unlocking value: Insured through a global policy Are you paying for the sins of the US?

- Local subsidiaries or set-ups currently insured via a global policy
- Tip # 1 : Sharing of Policy Limits with “the others”
 - Will you enjoy the protection of the policy when the crunch comes?
 - All claims are aggregated for the policy period
- Tip # 2 : Equitable allocation of premium cost
 - Does the premium allocated to you in Singapore reflect the scope of your insurable exposures?
 - Differentiate legal jurisdictions, scope of operations, investor profile



Unlocking value: Insured through a global policy Are you paying for the sins of the US?

- Local subsidiaries or set-ups currently insured via a global policy
- Tip # 3 : Leverage local supply forces
 - Are you reaping the benefits of the insurance players who are based in Asia with local knowhow and expertise?
 - Local insurers are more flexible and more price competitive



Unlocking value in the Professional Liability Policy

Not required to insure: Are you sure you don't need protection?

- Exemption from CMS licence does NOT mean exemption from liability
 - Securities & Futures Act
 - Other legislation elsewhere
 - Common-law (tort, negligence)
 - Contract
- Increasing trends
 - Regulatory investigation
 - Clients demand accountability and results (justifications)
 - Unlimited legal liability





What can we do to help?

- Review your current policy
 - Coverage
 - Structure
 - Insurer participation
- Differentiation against stereotype
- Benchmarking comparison
- Regular updates and seminars
- Claims-handling
- Cost containment

Debunking the popular myths of Professional Liability Insurance

- “It’s not available here”
 - Local capacity is robust
 - Local expertise
- “It doesn’t cover anything”
 - Understand the coverage
 - Get professional advice
 - Adapt to market changes
- “It’s too expensive”
 - Local capacity available at more competitive rates
 - Differentiation on basis of insurance criteria
 - Cost versus benefit
- “It doesn’t cover my individual liability”
 - Who is an insured?



Basics of Professional Liability Insurance Policy

An overview

- Professional Liability protects your company from claims for :
 - financial loss of a customer
 - arising out of any act, error or omission
 - committed by an employee
 - in the course of providing advice or services
- Legal requirement in some countries



**Professional Liability Insurance is critical for
Financial Institutions.**

Basics of Professional Liability Insurance Policy

An overview

- Who is Insured?
 - The Company
 - Directors and officers
 - All employees
 - Including consultants and contractors
- What is Covered?
 - Settlements
 - Judgments or Award of damages
 - Investigation costs
 - Defence costs
- What is Insured?
 - Actual or Alleged act, error or omission



**Professional Liability insurance is critical for
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The benefits of Professional Liability Insurance Policy

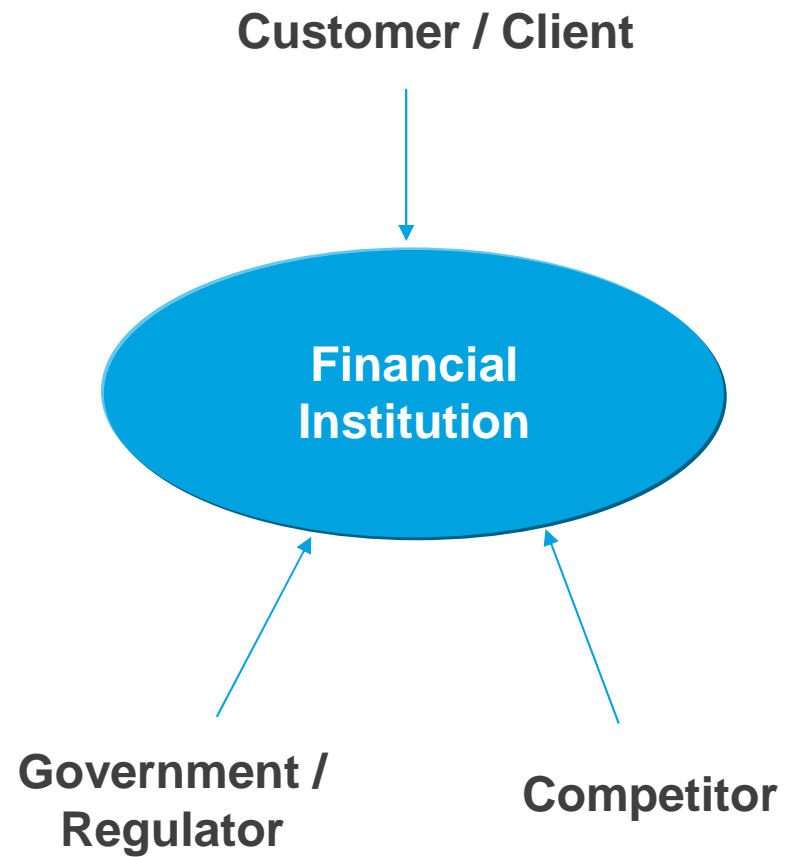
Comprehensive protection

- **Worldwide coverage**
- **Indemnification of financial loss arising from the professional services delivered/ provided**
- **Defence costs coverage**
- **Retroactive coverage for past wrongful acts**
- **Covers past, present and future directors, officers and employees**
- **Extensions :-**
 - **Loss of documents**
 - **Libel and slander**
 - **Infringement of copyright**
 - **Dishonesty of employees**



Broad coverage means better protection.

Source of Professional Liability claims
Major source : Customers or Clients





Summary

- Professional Liability Insurance is essential if you are providing financial services or advice
- Clients are more aware of their legal rights, and regulators are increasing their scrutiny on operations and internal controls
- Loss of reputation is also a threat
- Risk transfer
 - Defence costs (Lawsuits)
 - Legal expenses (Investigations)
- Understanding the insurance contract
- Get professional advice!

Marsh in Singapore

- Leading insurance broker in Singapore
- In Singapore since 1972
- Nearly 200 professionals locally
- Service the risk needs for companies of all sizes, from SME to Multinational
- Particular strength in the following:
 - Financial Services, M&A, Healthcare, Construction, Marine, Energy, Logistics, Life Sciences, Power / Utilities, Transportation
 - Strength in insurance placement and risk consulting, including Business Continuity Planning, Enterprise Risk Management, Corporate Governance



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