



GLOBAL FINEX

A smarter way to navigate risk

A short guide to insurance for board
members and executives

Welcome to this short guide to financial, professional, and executive insurance. In this concise yet informative resource, we provide an overview of those insurances designed to address the risk and liability issues most relevant to board members and executives.

WTW foreword by Marcus Porter-Wright

As Head of FINEX GB, my perspective on risk management is shaped by the acknowledgment that in an era marked by seismic challenges such as AI, pandemic and war, preparation and protection are not merely advantageous, but essential.

Insurance, in its fundamental role, is more than a safety net; it is a cornerstone of sound business strategy. It plays an integral part in the sustainability and growth of organisations, allowing for the mitigation of risks that could otherwise impede progress.

The information in this guide is rooted in a recognition of the complexities that our clients face when considering financial, professional, and executive risks. It is designed to serve as a compass in an environment of regulatory, legal, and strategic risk, and offer a straightforward introduction to risk transfer solutions.

We hope you find this resource useful, clear, and digestible, and that you can use the information to help you navigate your risk management with assurance and understanding.

Marcus Porter-Wright
Head of FINEX GB

Navigating the evolving business terrain

The role of board members and executives is evolving rapidly, driven by multifaceted challenges and heightened expectations. The drive to meet short-term objectives must be balanced with an in-depth understanding of a shifting risk landscape and its implications for sustainable success. Key aspects influencing this landscape include:

- **Evolving stakeholder expectations:** Now more than ever, stakeholders are emphasising the importance of environmental stewardship, social responsibility, and sustainable governance.
- **Strategic disclosures and compliance:** Adhering to frameworks like the TCFD, which demand a 'comply or explain' approach, highlights the need for transparent and accountable corporate practices.
- **Global supply chain and regulatory complexity:** Navigating intricate international supply chains and diverse regulatory environments is a growing challenge.
- **Financial scrutiny:** Meeting stringent criteria for financing, investment, and funding is becoming increasingly complex.
- **Stringent regulatory adherence:** The regulatory landscape is not only expanding but also becoming more rigorous in its enforcement.
- **Data management in the ESG era:** Effective management of ESG-related data is crucial for informed decision-making and governance.

These multifarious challenges demand a comprehensive and proactive approach to risk management. WTW stands at the forefront of identifying, addressing and mitigating risks head on. Our extensive range of insurance and risk management solutions cater to a diverse clientele, including banks, law firms, engineering and manufacturing organisations, and large corporate entities across the private and public sectors. Our expertise is geared towards empowering organisations to confront emerging risks and navigate the future confidently.



Introduction

Financial, Executive, and Professional Risks at WTW's FINEX division

In the modern corporate landscape, the importance of insurance in managing financial, professional, and executive risks cannot be overstated. For those at the helm of decision-making – the executives and leaders of organisations – this coverage is essential. It serves as a shield against a wide array of risks, from management and business liabilities, cyber threats, to the intricacies involved in transactions like mergers and acquisitions.

Amidst a backdrop of escalating regulatory demands and litigation, the role of comprehensive insurance protection in navigating these challenges is critical. It's not just about risk avoidance; it's about strategic risk management, ensuring the resilience and stability of an organisation in the face of potential threats.

At WTW's FINEX division, our approach is collaborative and client focused. We work closely with businesses and organisations to pinpoint key risks and create tailored insurance and risk management solutions. Our goal is to provide robust protection against both financial and legal liabilities, equipping our clients to navigate confidently through the complexities of today's business world.

Advantages of risk mitigation through insurance


One of the key questions for any organisation is how to determine which risks the organisation is prepared to bear and which risks it is worth paying to transfer to insurers. When it comes to protecting individuals, of course, the question can be more complicated. Many jurisdictions limit the ability of companies to indemnify directors and/or other individuals, emphasising the importance of ensuring that those individuals have protection from a source other than the company, with insurance being a key alternative.

Strategically, insurance solutions can offer more than just risk transfer. They can provide access to a wealth of risk management expertise and resources via brokers, to help improve risk profiles and compliance capabilities. In the dynamic environment of mergers and acquisitions, for example, insurance not only supports due diligence efforts but also provides a safety net for liabilities that may surface after the transaction.


For organisations operating internationally, the ability to tailor insurance solutions across multiple jurisdictions is invaluable. It ensures consistent and comprehensive coverage, an essential aspect of global business operations. The most significant benefit, however, is the peace of mind it affords directors and officers. With a robust financial and legal safety net in place, they can concentrate on strategic leadership and governance, confident in their organisation's resilience against potential risks.

Six essential insurance solutions for board members and executives

In addition to established coverages like directors and officers, professional indemnity, and cyber insurance, board members and executives are now focusing on protection against emerging risks such as Environmental, Social, and Governance (ESG) liabilities. The following scenarios illustrate how certain insurance options can help mitigate financial exposure, cover legal expenses, and protect reputational assets.

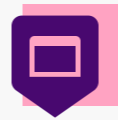
 **Directors and Officers (D&O):** Our D&O solutions are robust and provide protection for directors, officers, and employees in a managerial or supervisory capacity, if they are the subject of a claim or investigation arising from the performance of their duties at their company. For the individuals, a policy provides personal asset protection should the employer's indemnification fail for any reason. For the company, a policy can provide balance sheet protection where the company has indemnified its directors (and, if purchased, also where the company itself is the recipient of a securities claim).

Scenario: A tech company faced a shareholder lawsuit alleging financial misrepresentations. The D&O policy kicked in to cover the legal defence costs for the management team and paid the settlement amount, safeguarding both the company's balance sheet and the personal assets of the directors involved.


 **Professional Indemnity Insurance (PII):** This covers legal costs and expenses incurred in defence against allegations of providing inadequate advice, services, or designs. Very often regulators and professional bodies demand PII; contractual requirements for PII are commonly found within the construction, legal services, and financial services sectors.

Scenario: An architecture firm was sued for a structural defect in a project they designed. Their PII coverage covered the legal costs and any compensation awarded, enabling the firm to continue its operations without severe financial disruption.




 **Cyber Liability:** As cyber threats continue to evolve, our solutions are structured to include first and third-party losses, covering both immediate and long-term impacts. Unlike more traditional lines of insurance, cyber insurance can vary significantly in scope between different insurers and different policy forms. Cyber insurance may be categorised as insurance which provides cover for losses relating to damage to, or loss of information from, impairment of the service provided by IT systems and networks.


Scenario: A retail chain suffered a data breach, leaking customer information. Their cyber liability policy covered the immediate costs of data recovery and customer notification, as well as third-party claims related to the breach.

 **Crime Insurance:** Designed to protect against economic loss from crimes against the company, crime insurance is an essential component in safeguarding a company's assets. Whether it is internal fraud or external cybercrime, this coverage can offer the financial buffer you need to deal with such situations.

Scenario: An e-commerce company discovered that an employee had been embezzling funds for over a year. Their crime insurance covered the economic loss, enabling them to recover without hitting their bottom line.

 **Pension Trustee Liability:** As pension schemes become more complex, trustees are exposed to greater scrutiny and potential liability. This coverage offers protection against claims related to the mismanagement of a pension fund, offering protection to the trustees and the pension scheme and often also to the sponsoring employer.

Scenario: The trustees of a corporate pension fund were sued by members for mismanagement. Pension Trustee Liability insurance covered their legal defence costs and damages awards.

 **Warranty and Indemnity (W&I):** Mergers and acquisitions involve significant financial and operational risks. W&I insurance can mitigate these risks by providing coverage for losses arising from breaches of representations, warranties, or covenants during a transaction.

Scenario: During an acquisition, it was discovered that the target company had misrepresented its financials. The warranty and indemnity insurance covered the losses incurred, helping to make the acquiring company whole.

Securing coverage: A step-by-step guide

1. **Risk identification:** Evaluate your organisation's specific insurance needs by considering industry dynamics, executive roles, and existing risk profiles.
2. **Expert consultation and insurer selection:** Engage with insurance brokers to better understand your requirements and the potential options to transfer your risk.
3. **Policy customisation and due diligence:** Working with your broker, ensure the policy protects your organisation's unique risk landscape and vet your chosen insurer's financial robustness and claims handling record.
4. **Underwriting and policy issuance:** Submit a comprehensive application, participate in the insurer's risk evaluation, and finalise the premium before the policy is issued.
5. **Policy maintenance:** Implement ongoing risk management strategies, familiarise yourself with claims procedures, and routinely reassess coverage suitability.

Note that these steps may require adaptation based on your organisation's unique circumstances, underlining the importance of expert consultation.

FAQs

How is the appropriate level of coverage assessed for a director or officer? To assess the appropriate level of coverage for a director or officer, it's important to evaluate their specific roles and responsibilities, the potential risks associated with their position, and the overall corporate governance structure. This process often involves consulting with risk management experts and insurance professionals who can provide insights into the unique risk landscape and recommend coverage that aligns with both individual and organisational needs.

How do we determine the appropriate level of coverage for our organisation? Determining the right level of coverage involves a comprehensive assessment of your organisation's risk exposure. This process typically includes evaluating your business operations, industry-specific risks, and regulatory environment. Collaborating with insurance professionals is key; they can help analyse these factors and guide you in choosing coverage levels that align with your organisation's unique risk profile and requirements.

How is the cost and availability of these type of insurances determined? The cost is usually based on a variety of factors, including the company's industry, turnover, risk profile, the limits of indemnity required, claims history and the insurance provider's underwriting criteria.

How WTW and the FINEX team deliver exceptional support

Specialised expertise: Our team of skilled insurance specialists brings global expertise to the table, ensuring your policy is meticulously tailored to your specific role, industry, and the risks you face.

Advanced risk analysis: Using our sophisticated in-house tools and analytics, we conduct a detailed analysis and quantification of your risks. This approach ensures that the coverage we recommend is precisely calibrated to your unique risk landscape.

Proactive claims management: Should you face a claim or a challenging situation, our dedicated team offers expert advice and robust support. We are committed to securing the most favourable outcomes for you.

Global network for local solutions: With our extensive international network, we provide seamless access to insurers across different jurisdictions, offering comprehensive solutions for your global operations.

Evolving risk transfer solutions: Our innovative products and services are the result of years of accumulated knowledge, experience, and advanced data analytics. Our suite of dynamic risk transfer solutions is continually refined to adapt to the ever-changing risk landscape.

At WTW we are committed to providing each of our clients with expertise, innovative solutions anchored in data, and comprehensive services across all their business insurance needs, with top-tier support in every interaction.

Contact information

For personalised assistance, more information about insurance, or for a more detailed consultation tailored to your needs, contact us today for a no-obligation assessment of your insurance requirements.

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