

News Release

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Willis Group Publishes Global D&O Liability Guide Covering 51 Countries

New York, NY and London, UK, November 8, 2005 – Willis Group, the global insurance broker, today announces the publication of The Willis Worldwide Directory of Directors' and Officers' Liability. It is a unique guide detailing the potential personal liabilities of directors in 51 countries in Africa, Latin America, North America, Asia, Australia, Europe and the Middle East.

It is vital for senior executives to identify and understand their liabilities when considering international expansion or acquisition activity and prior to accepting overseas board appointments. The Willis D&O team, bringing its specialist knowledge, has partnered with leading law firms around the world to bring this material together in one easy to manage reference tool.

With the number of claims against Directors and Officers reaching an international all-time high, this 600-page compendium, the most extensive of its kind to date, will be an invaluable reference for senior level executives, corporate counsels, company secretaries and risk managers.

The publication, which will give readers important information as well as a competitive edge, provides chapters on each jurisdiction, setting out key issues as well as matters relating to corporate governance and regulatory requirements.

The main features of each chapter include:

- Definitions of "Director" and "Officer" (where applicable)
- Key areas to watch out for
- Who may sue Directors and Officers
- The local legality of Directors' and Officers' Insurance in common and codified law
- Procedural requirements
- Tax implications
- Corporate governance developments

- Key trends relating to Directors' and Officers' Liability Insurance

Willis Group Holdings Limited (NYSE: WSH) is a leading global insurance broker, developing and delivering professional insurance, reinsurance, risk management, financial and human resource consulting and actuarial services to corporations, public entities and institutions around the world. With over 300 offices in more than 100 countries, its global team of 15,800 associates serves clients in some 180 countries. Additional information on Willis may be found at www.willis.com.

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For information on purchasing the directory, interested parties should send an e-mail to D&O@willis.com. It will be available from November 1, 2005 at a cost of UK £150, US\$270 or €222.

Editor's Note:

1. **Reasons why the liabilities of directors and officers have increased**

We have already referred to the rapid rise in the liability of directors and officers and highlighted below are current key issues affecting them:

— Stakeholder Rights

It is no longer just shareholders that bring suits against directors and officers. Bondholders, long silent on the corporate governance front, have stepped into the limelight. Perhaps nowhere is this as dramatically seen as in the case of Parmalat where bondholders globally are trying to enforce their rights, sometimes contrary to the wishes of the shareholders or enforcement bodies.

— Role of the Institutional Investor

A further major force that has awakened is the Institutional Investor. Usually a major private or public pension fund, Institutional Investors are looking at changing the rules of enforcement; in some cases seeking to recover monies from the individual executive, in

others by continuing the dispute after the regulators have been satisfied. They have a mandate to ameliorate their losses as much as possible. This was seen fairly dramatically in the individual outside director payments extracted in WorldCom and Enron from directors who were not alleged to have participated in fraud, but rather, “merely” to have permitted it to have occurred.

— Transparency & Independence

In the US the Sarbanes-Oxley Act has been introduced, making senior executives directly responsible for financial controls. Individual board members can also suffer financially if financial misconduct takes place. In the UK we have seen the Higgs and Smith reports extending the existing Combined Code. In Europe, the draft Transparency Directive is gaining momentum, which will enable investors to sue company directors if they lose money due to errors or misinformation in the company’s annual reports. This directive is one of a number of measures being discussed under the European Union’s Financial Services Action Plan which would create a single European market for investors and create uniform disclosure standards for all publicly traded companies.

The debate over the definitions of transparency and independence may occupy us all for some years to come, but there should be little disagreement that these issues are now often central to the dialogue on acceptable corporate behaviour. Companies and their executives are being made aware that what might have been legal if disclosed may be illegal if undisclosed. Transparency is the key.

Independence in the boardroom and/or within the positions of Chairperson and Chief Executive Officer, is being suggested or sometimes mandated as the prescription for reform and prevention.

— Focus on Executive Remuneration

Traditionally, shareholders and the courts themselves did not consider the issue of executive remuneration. This was considered to be an internal issue, best dealt with by the companies themselves with the courts not wishing to second guess the decisions of the organisation as to what their chief executives were worth. This status quo is no longer true. Starting first as a disclosure issue and now as one of accountability, after the decades of “merger mania”, corporate stakeholders are now asking about and challenging the compensation packages of those occupying the executive suite. While there are numerous examples of this on an international basis, the case of Hollinger Inc. may serve as an example of what may be some of the emerging concerns in the area of Executive Remuneration.

— Increased Exposures/Changing Indemnification Rights

Another theme which should not be ignored is that of the changing rights under local law to indemnify or protect the executive. As exposures expand, we have learned to expect a commensurate increase in the ability to protect this same group. For companies to be able to attract the best talent globally, they will be expected to have provided the best corporate indemnities and world class Directors’ & Officers’ Liability insurance. This creates a challenge for companies to stay abreast of the local changes and make the necessary amendments so as to take advantage of these new advances. A recent watershed event in this area may be the significant modifications to a company’s ability

to indemnify its directors and officers under the U.K.'s Companies Act. This is clearly only one of the substantive changes yet to come.

2. Overview of Directors' & Officers' Liability Insurance Trends

Directors & Officers Liability Insurance forms a minor part of the overall liability insurance market. For small companies, the purchase of Directors' & Officers' Liability Insurance can be readily arranged within most countries, but for global companies the buying trends are different.

Regrettably, insurance is a cyclical market and at times out of step with the needs of those seeking to transfer risk. As this book is being published, we are fortunate to have favourable insurance market conditions with companies able to negotiate broader global coverage, tailored to their specific operational and organisational risks, but there is no guarantee as to how long this will continue. The most significant development in Directors' & Officers' Liability Insurance may be the recognition that the limits, thought to be adequate several years ago, are clearly insufficient for today's global company. An offshoot of this conclusion is that the senior parent board, or outside directors, may need to construct coverage dedicated to protect them when things go awry somewhere in the company's global operations. As indemnity limits rise to previously unseen heights, so too do deductibles and retentions. It is not unusual today to see a global company with a self-insured retention in the \$1 million to \$25 million range.

While terms and conditions may change based on the industry cycle, it will always hold true that there will only be a limited number of insurance companies that can truly appreciate the global nature of Directors' & Officers' exposure and only a select group of international insurers that can write the coverage in a manner that complies with the various applicable local laws. Identifying these companies and forming long-term relationships with them can only result in long-term gains for both parties.

3. The evolving role of the regulators

One of the strongest current trends in corporate governance is that of enhanced enforcement by regulators in virtually every country in the world. But, today's global organisation should not focus solely on local enforcement, however rather anticipate that cooperation will exist on an international basis with possible action in more than one country, or by more than one country's regulators.

The International Organisation of Securities Commissioners is a fully functioning body of top regulators and has existed for over 20 years. Today, its members regulate more than 90% of the world's securities markets. They have also created an active Joint Forum, with perhaps the world's most significant bodies overseeing the financial institutions sector: the Basel Committee on Banking Supervision and the International Association of Insurance Supervisors.

This possible dual role for these government agencies, which may both write the regulations interpreting the relevant laws and investigate and/or prosecute violators, puts them in a unique position.

While convergence can be a positive force, making it easier for global organisations to comply with local standards on a global basis, a concern is the potential extra-territoriality of some of the new legislation and regulation that has been enacted or is being contemplated. One of the best examples of this might be Sarbanes-Oxley in the United States. This requires compliance from all companies which report to the Securities and Exchange Commission (SEC), essentially all companies that access the U.S. securities markets. While many of its requirements may also be found within local country codes of governance, Section 404 has caused great consternation. This requires every reporting company and its external auditors to describe its financial control mechanisms.

We anticipate significant developments in the area of regulation and particularly the impact these will have on global organisations and will report on these matters in our next edition of the Willis Worldwide Directory of Directors' and Officers' Liability.

4. **Countries included:** South Africa, Argentina, Brazil, Ecuador, Mexico, Paraguay, Peru, Venezuela, Canada (& Quebec), United States of America, People's Republic of China, Hong Kong, India, Indonesia, Japan, Kazakhstan, Republic of Korea, Singapore & Malaysia, Taiwan, Thailand, Australia, New Zealand, Austria, Belgium, Bulgaria, Czech Republic, Denmark, Finland, France, Germany, Gibraltar, Greece, Hungary, Ireland, Isle of Man, Israel, Italy, Netherlands, Norway, Poland, Portugal, Russia Federation, Spain, Sweden, Switzerland, Turkey, United Kingdom, Saudi Arabia, United Arab Emirates

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