



JARDINE LLOYD THOMPSON ASIA

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Press Release

Asian Telcos boardroom risk grows as legislative burden increases

Kuala Lumpur, 25 November 2004 – Risk in the Asian boardroom is increasing, particularly in the technology and telecommunications sector according to leading risk and insurance experts at the Jardine Lloyd Thompson Telecommunications & Electronics Forum (24-25 Nov, 2004) in Kuala Lumpur. Worldwide, the technology and telecommunications sector attracts a good degree of caution from insurers, in view of its past director and officers (D&O) liability insurance claims experiences and often stressed balance sheets in some sectors. Premiums for directors and officers insurance worldwide doubled in 2001 and 2002, before multiplying by a further 500% in 2003, following notorious collapses such as WorldCom and Enron. The consequent enactment into the United States (US) law of Sarbanes Oxley in 2002 to heighten corporate governance procedures, has proved controversial and unpopular with Asian companies who have elected to raise capital in the US.

“Although liability is less pronounced in Asia, there is regulatory scrutiny in particular from exchange and securities regulators across the region who are implementing new and stricter codes and other rules to improve corporate governance,” said Tony Mitchell, Managing Director of Jardine Lloyd Thompson (JLT) Financial Solutions. “Various drivers in addition to the regulatory pressure are combining to elevate corporate governance standards across the region.”

Tony indicated that post-Asian crisis, official codes for corporate governance best practice, which were previously only prescribed to countries such as Singapore, Malaysia and Hong Kong, are now developing well in most countries throughout the region.

He also highlighted that one of the cornerstones of good corporate governance was a proper mix of directors including genuinely independent non-executive directors (INED). “There are too many areas where independence is not crystallised and board direction and the interests of minority shareholders suffer as a consequence. D&O Insurance is fundamental to protecting



JARDINE LLOYD THOMPSON ASIA

the actions of the board and in particular should be a major source of comfort to the INED's to allow them to function without fear in the best interests of the shareholders.”

A recent Corporate Governance and D&O Liability survey commissioned by JLT on public listed companies in Singapore and Hong Kong indicated that there is a need to improve corporate governance standards and the majority of respondents felt that D&O Liability insurance is an essential component of corporate governance. 80% of them felt that D&O insurance is an essential part of a listed company's insurance programme, in order to attract and retain experienced independent directors. Regulators and government pressures were among the sources stated as 'high threats' of potential claims against Directors and Officers. The Singapore survey revealed that over the past decade Directors lost in over 71% of the claims filed against them, when the case went through the court process.

”There has been a significant increase in the section of class action lawsuits against foreign issuers by the US plaintiffs bar in 2004. 15% of all suits are now brought against foreign issuers. Historically, technology and telecommunications companies have been the hardest hit sector as a target for these suits in the US. There is nothing to suggest that the trend could not be repeated for foreign issuers,' cites Chris Townsend, AIG Regional Vice President.

Directors & Officers Liability Insurance Market Outlook – 2005

The hike in D&O liability insurance premium rates has generated new entrants into the insurance market and produced downwards pressure on rates for the sector recently. This year, D&O premiums have reduced markedly for companies with excellent governance/financials and claims history.

According to Julian Martin, JLT Directors and Officers Practice Worldwide Head from London. “In 2005, a number of carriers are forecasting flat renewals for companies with US SEC exposure. The capacity for these companies however will eventually pick up claims inventory and the competition created by new entrants is expected to start eroding by next year. On the other hand, we expect the market to remain competitive for non-US exposed risks



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with no shortage of available capacity.

Julian suggests that Telcos should commence their D&O liability risk exposure analysis and marketing early. In addition, they should appoint an experienced broker who possesses strong market knowledge and placement strategies to get the best coverage possible.

About Jardine Lloyd Thompson Asia

Jardine Lloyd Thompson (JLT) Asia is a leading provider of risk solutions, insurance and reinsurance broking, risk management and corporate consultancy services in the Asian region. Ranked as Asia's Top Broker by the Asian Insurance Industry, three times in a row from 2001-2003, JLT Asia excels in innovating market-leading solutions in the areas of Claims Consultancy, Construction, Corporate Risk, Employee Benefits, Financial Solutions, Marine, Natural Resources, Reinsurance and Risk Management.

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