

BRIEFING SHEET

WILLIS ENTERPRISE & RISK FINANCE

ALTERNATIVE RISK FINANCE

This *BriefingSheet* describes the broad array of Alternative Risk Finance products available to clients through Willis' Enterprise & Risk Finance Practice. While still a relatively small portion of the overall risk financing world, alternative risk financing is growing in importance and visibility, driven largely by the Enterprise Risk Management (ERM) movement, as well as the increasing involvement of the C-suite in the risk management decision-making process.

ALTERNATIVE RISK FINANCE - DEFINED

Risk financing that is generally considered to be "alternative" can be defined as either insuring one or more risks not commonly insured, placement of a non-traditional program structure, or both.

EXAMPLES OF ALTERNATIVE RISK FINANCING STRUCTURES

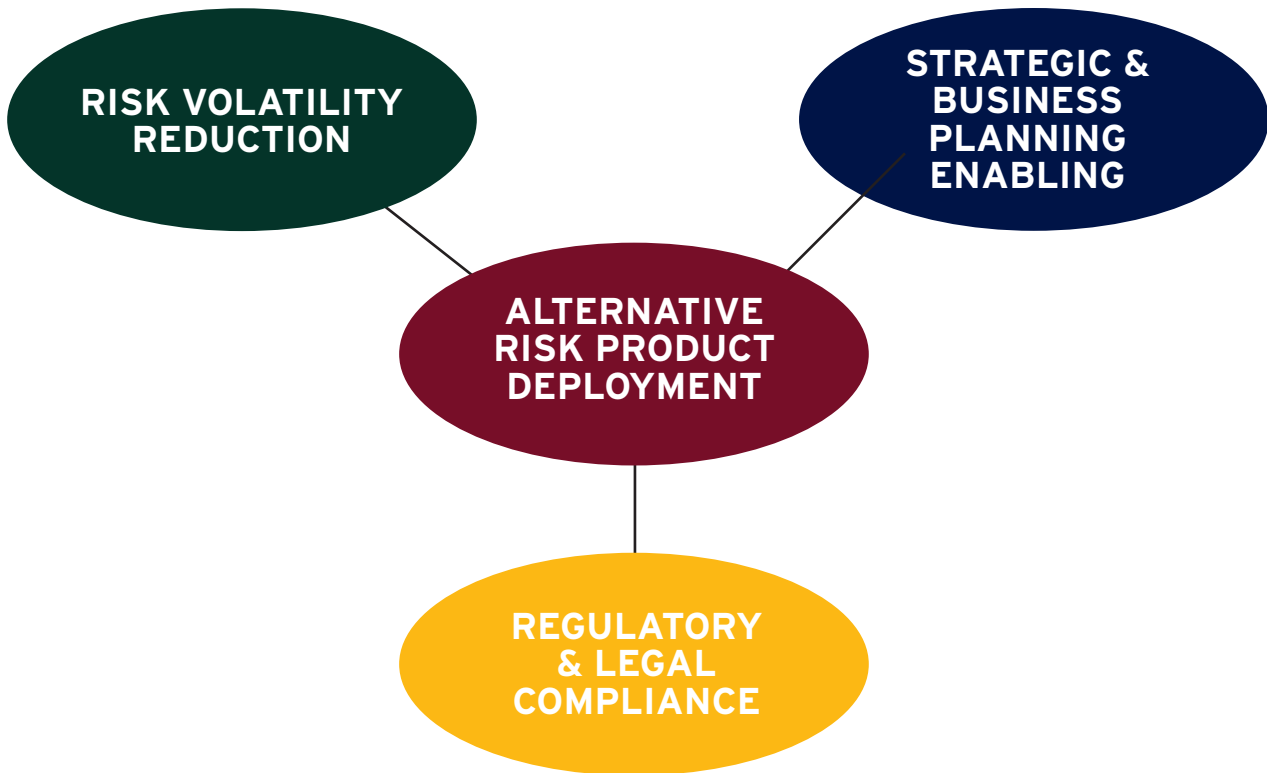
- Complex Casualty Products
 - Aggregate Stop Protection

- Alternative Collateral
- Integrated Products (Multi-line/
Multi-Year)
- Dual Trigger Products
 - Hazard Risk Triggers
 - Index-based Triggers
- Prospective Structured Financial Products
- Loss Portfolio Transfers
- Contingent Capital
- Securitized Products
- Property Catastrophe
- Casualty and Life
- Residual Value Covers
- Structured Credit Risk Covers
- Weather Insurance

While the components and dynamics of these structures vary, they all have the same objective, which is to provide an economically viable risk management solution in the absence of a traditional risk transfer product.

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MAIN BENEFITS OF ALTERNATIVE RISK FINANCE PRODUCTS



SUCCESSFUL IMPLEMENTATION REQUIREMENTS

- Define the ideal structure and prequalify the business case for a potential transaction
- Perform comprehensive risk assessment and modeling
- Promote active involvement of client and third-party advisers in process
- Establish realistic milestones and expectations
- Anticipate break-up fee requirements from underwriters
- Recognize that deal complexity often requires long lead time from conceptual stage to execution

CONTACT

For further information on this and other processes of the Willis Enterprise & Risk Finance Practice, please contact:

Steve Saporito, CPCU

Managing Partner

Willis Enterprise & Risk Finance Practice

617 351 7404

steve.saporito@willis.com