

AUDIT INTEGRITY SERVICES FOR INSURERS

Audit Integrity

Audit Integrity research services support risk management practices that help insurance underwriters, brokers and reinsurers identify companies at risk of financial and governance problems that can lead to class action litigation.

Audit Integrity produces objective ratings and reports on over 9,000 corporations. The Audit Integrity Accounting and Governance Risk rating (AGR[®]) is a measure of the overall risk related to corporate accounting and governance practices.

Audit Integrity Services for Insurers

Based on the AGR[®], the **Audit Integrity Litigation Model** is the cornerstone in risk assessment for many of the largest D&O insurers – helping to avoid costly litigation.

In addition to identifying the risk of litigation, Audit Integrity provides in-depth analysis of the critical factors behind the risk. Our services include:

- **Summary Reports** – in web-based or PDF form, these reports provide a concise summary of all key financial and governance risk factors
- **Detailed Analysis** – full drill-down capabilities provide insight into the underlying forensic and fundamental analysis
- **Extensive Reference Data** – for leading industry sources such as Reuters and Standard & Poor's, including:
 - Financial Statements
 - Footnotes & Ratios
 - SEC filings
 - News, including High Risk Events
 - Officers and Directors
 - Insider Trading
 - Market Data and Interactive Charting
- **Advanced Search** – screen and filter companies based on standard and Audit Integrity proprietary data
- **WatchLists and Alerts** – proactively monitor ongoing risk management through user-created company WatchLists and frequent e-mail Alerts

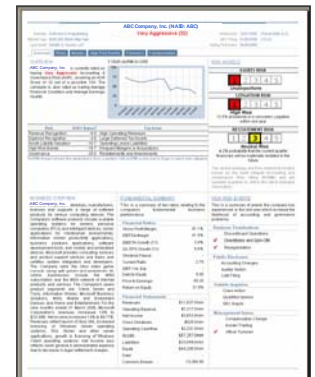
How Audit Integrity Is Used

D&O underwriters and brokers use the Litigation Risk Model (example below) and related research in several ways. For carriers that insure all types of companies, the overall litigation probability is used to differentiate between high and low risk accounts.



Additional background data and research used frequently by underwriters and brokers is contained in a single summary report:

- **Profile Report** – actionable information in an easy-to-use format. Great for a summary overview or when a decision is needed quickly. Includes Risks, Events and Ratios pages. Updated quarterly.



Standard and Custom Data Feeds – Key ratings and risk data are available through Audit Integrity standard data feeds. In addition, insurers have integrated custom AI data feeds into internal systems for risk management or actuarial purposes.

For More Information...

Companies often suffer equity loss and class action litigation as a result of misrepresenting financial data or poor governance. Audit Integrity's proprietary ratings and analysis identify companies at risk *before it is too late*.

For a free trial or further information, please contact us at info@auditintegrity.com, or 877-880-8820.

AUDIT INTEGRITY METHODOLOGY

The Audit Integrity Accounting and Governance Risk (AGR[®]) rating is a measure of the overall risk of potentially fraudulent or misleading activity. The AGR[®] is based on identifying the measures most highly associated with fraud, and applying those metrics to “red flag” company risk.

Audit Integrity conducts extensive accounting and governance tests to identify high-risk companies:

- **Accounting Risks** – a forensic assessment of the risk that financial results are misrepresented in public disclosures.
- **Governance Risks** – quantifiable metrics measuring many key aspects of corporate governance and what Audit Integrity has classified as high-risk events further contribute to AGR[®] effectiveness.

The basic processes that make up the Audit Integrity Methodology are as follows:

DATA INPUTS

- Audit Integrity operates a large-scale data center; over 25 different data feeds are integrated
- One of the most comprehensive unified sources of information on public companies
- Proprietary data collection includes over 1,000 SEC Enforcement Actions

METRICS ENGINE

- Generates the measures which form the building blocks in identifying fraudulent behavior
- Each metric is evaluated for unusual values (“outliers”), based on peer comparisons
- Metrics are organized within the Audit Integrity Taxonomy, to make analysis and presentation simple and intuitive. An example:

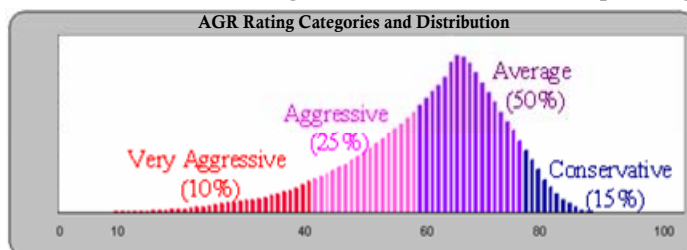
High-level Risk	Business Issue	Forensic Metric (Ratio)
REVENUE RECOGNITION	RECEIVABLES ACCOUNTING	ACCOUNTS RECEIVABLE over SALES
EXPENSE RECOGNITION	DEPRECIATION POLICIES	ACCUMULATED DEPRECIATION over PLANT, PROPERTY & EQUIPMENT
ASSET-LIABILITY VALUATION	PENSION ACCOUNTING	UNDERFUNDED PENSION BENEFITS over LIABILITIES
HIGH RISK EVENTS	ACCOUNTING CHANGES	CUMULATIVE ACCOUNTING CHANGES over OPERATING EXPENSES
GOVERNANCE	FINANCIAL DISCLOSURE	NUMBER OF AMENDED FILINGS IN THE LAST YEAR

STATISTICAL MODELING

- Audit Integrity measures hundreds of metrics without preconceived bias as to what defines fraud
- Over 200 accounting and governance metrics were tested to determine which were most highly associated with fraud
- The AGR[®] identifies companies that exhibit extreme values in these metrics

AGR

- The AGR[®] score ranges from 0-100, with corresponding ratings from Very Aggressive to Conservative.



Companies rated Very Aggressive or Aggressive have proven to be much more likely to have class action litigation and financial restatements, and to suffer severe equity loss

The AGR[®] model has been rigorously tested and validated using accepted industry standards, and has proven to be accurate and independent of bias. For further information, contact us at 877-880-8820 or www.auditintegrity.com.