

What it is:

Securities Litigation Risk Analyst (SLRA) is an extension of our Board Analyst database, developed to help predict the likelihood of securities class action (SCA) lawsuits. SLRA combines our established governance ratings with new SCA-specific ratings, as well as the latest risk research reports and company-specific SCA events.

What it does:

The Corporate Library developed SLRA specifically for use by D&O insurance brokers and underwriters to enhance securities class action prediction six to eighteen months in the future. SLRA features The Corporate Library's proprietary SLRA Ratings in powerful combination with the latest SCA risk research reports and targeted SCA events. As a focused stand-alone product, this information is presented in consolidated company reports featuring the TCL governance risk rating, SLRA Rating, and detailed tracking of and access to SCA filings, dismissals, and settlements. For existing Board Analyst subscribers, the product can be seamlessly integrated into the company profiles section of the Board Analyst service.

How your company benefits:

The Corporate Library's governance ratings are used by the D&O industry as an integral tool in anticipating securities class action suits. SLRA takes The Corporate Library's governance rating a step further by combining traditional governance factors with a range of performance fundamentals to produce an SLRA Rating. Utilizing our extensive database, we performed in-depth back-testing to isolate key factors in common between companies subject to securities class action litigation. These factors are assessed and combined to calculate an overall SCA risk assessment for the more than 3,200 U.S. and Canadian companies covered in The Corporate Library's universe.

How it works:

Scoring components used to determine a company's overall SLRA Rating include:

Governance Risk — This component takes into account significant factors such as excessive CEO compensation; director age, tenure, over-commitment, and lack of independence; company size; and threshold of control by institutional investors and/or principal shareholders.

Industry Risk — Research shows that companies in certain industries are more likely to be subject to securities class actions, including most high-tech, pharmaceutical, healthcare, and financial services industries. Using data collected over the recent three-year period 2003–2005 by Cornerstone Research, with updates throughout 2006–2008, we assign an 'industry risk' figure to every industry in our database.

Trading Risk — Results from our securities class action studies point to a strong correlation between total share trading volume and securities class actions. We add SCA risk points to the scores of companies whose total trading volume for the previous year falls into the identified trading range.

Contact us to schedule a live demonstration and set up your free trial access, and find out how SLRA can give you a major advantage in avoiding risky ventures.

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