



Independent ForceFieldSM

INDEPENDENT DIRECTORS LIABILITY INSURANCE

The IDL Policy operates as a last line of defense by protecting the directors' personal assets when all other sources of recovery have been exhausted or otherwise impaired.

Allied World understands the need for independent directors to feel secure when they venture onto the board of another company. Our Independent Directors Liability Policy ('IDL Policy') provides such "outside" directors with a dedicated layer of protection for claims arising from any actual or alleged breach of fiduciary duty or other wrongful acts. The IDL Policy operates as a last line of defense by protecting the directors' personal assets when all other sources of recovery have been exhausted or otherwise impaired (coverage for a claim is denied by an underlying insurer or an underlying policy is rescinded and the company is unable or unwilling to provide indemnification).

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PORTABLE PROTECTION FOR INDEPENDENT DIRECTORS

It is increasingly common for a company's board members to sit on more than one board. However, as public scrutiny and SEC investigations of directors and officers increase, the risk of insufficient or depleted limits for independent directors continues to grow. A Portable Limit of Liability, provided by our IDL Policy, directly addresses this risk and may help to alleviate the concerns of independent directors.

COVERAGE HIGHLIGHTS

- **Portable Limit of Liability:** independent directors have access to a Portable Limit of Liability for claims arising from acts committed while serving on the board of any additional entity.¹ The Portable Limit of Liability is in addition to the original policy limit and the Reinstated Limit.
- **Reinstated Limit of Liability:** the policy's Limit of Liability is automatically reinstated in the event such limit is exhausted due to payment of Loss; no additional premium is charged; Reinstated Limit applies to a second, unrelated claim.
- **D&O Coverage Extension:** at Insured Persons' sole option, the IDL Policy may be extended to cover all directors and officers, not only independent directors.²
- **ERP for Retired Insured Persons:** Policy automatically provides a 6 year Extended Reporting Period for retired Insured Persons; no additional premium is charged.³
- **Broad 'Follow Form':** Policy automatically 'follows the form' of any broader definition or any other broader term or condition in any underlying policy; Policy does not follow any exclusion in any underlying policy.
- **Pre-Claim Inquiry Coverage:** covers the costs incurred by an Insured Person in appearing at a deposition or producing documents as requested by a regulator or the Company, as well as costs incurred in responding to any informal investigation of an Insured Person; an allegation of a wrongful act is not required for coverage to apply.
- **Broad Definition of 'Claim'**
 - Civil, criminal, administrative or regulatory investigation.
 - Arbitration, mediation or other ADR proceeding.
 - Formal request for extradition.
 - Written request to toll statute of limitations.
 - This is a 'follow form' definition.



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COVERAGE HIGHLIGHTS (CONTINUED)

- **Broad Definition of 'Loss':**
 - Civil or criminal fines or penalties imposed by law.
 - Punitive damages and exemplary damages.
 - Plaintiffs' legal fees.
 - Taxes imposed on Insured Person 'in capacity as such' or due to Loss payment under the Policy.
 - 'Facilitation Costs' incurred in connection with Sarbanes-Oxley §304 or Dodd-Frank §954.
 - UK Corporate Manslaughter Act Defense Costs.
 - Most favorable venue wording for punitive damages, fines, penalties and taxes; includes specified jurisdictions.
 - Exceptions for §11, §12 and §15 of the '33 Act, Sarbanes-Oxley §304 and Dodd-Frank §954; Insurer will not assert that Loss incurred due to a violation of these statutes is uninsurable.
 - This is a 'follow form' definition.
- **Broad Definition of 'Wrongful Act'**
 - Any act, error or omission by an Insured Person, including while acting as a fiduciary of any employee benefit plan sponsored by the Company.
 - Any act, error or omission by an Insured Person in providing professional services or advice to the Company.
 - This is a 'follow form' definition.
- **One Exclusion:** Policy includes only a Prior Notice Exclusion; it does not include a conduct exclusion (fraud, dishonesty, or personal profit) or any other exclusions.
- **Favorable Notice Provisions:**
 - Provide notice 'as soon as practicable' after general counsel or risk manager becomes aware of Claim or Pre-Claim Inquiry.
 - Notice of Pre-Claim Inquiry is at sole discretion of Company or Insured Persons if they elect to seek such coverage.
 - 90 day post policy reporting.
- **Costs Advanced on 'Current Basis':** Defense Costs and Pre-Claim Inquiry Costs advanced on a current basis, but no later than 60 days after requested.
- **'Narrow' Prior Notice Exclusion:** exclusion triggered only if director is indemnified as a result of such prior notice.
- **Worldwide Coverage:** policy applies on a worldwide basis.
- **Recovery of Limits:** Limit of Liability is reinstated in the event Allied World recovers any amounts paid under this Policy.
- **'Severability' of Cooperation:** failure of the Company or any Insured Person to cooperate with the Insurer will not prejudice the rights of any other Insured Person to coverage under the Policy.
- **Non-Rescindable Policy:** Insurer irrevocably waives any right to rescind or void the Policy, in whole or in part, on any grounds.
- **Subrogation:** Insurer will not exercise its subrogation rights against an Insured Person.
- **Primary to 'Personal Insurance':** Policy is primary to any personal 'umbrella' insurance or personal directors' liability insurance.

ADDITIONAL FEATURES

- **Limits** – up to \$15M available.
- Protects only independent directors; covers only non-indemnified or 'Side A' loss (Company is unable or unwilling to indemnify the director).
- Coverage provided on both an excess and 'difference-in-conditions' basis.

¹ Provided that such additional entity has purchased a 'Side A' DIC Policy from Allied World-U.S., is publicly traded and is domiciled and incorporated in the U.S.

² Requires unanimous vote of all current independent directors; vote must take place after a Securities Claim is brought against the Company or the Insured Persons; notice of such vote must be provided to Insurer within 30 days after becoming aware of such claim.

³ ERP will not apply to an Insured Person: who resigns or retires due to the Company's sale or acquisition; or who has been disqualified from holding such position with the Company.



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