

FINANCIAL SERVICES LIABILITY POLICY FORM HIGHLIGHTS

XL Insurance offers a broad policy of protection for Financial Service Providers including Investment Advisers, Mutual Funds, Hedge Funds, Private Equity Firms and other Investment Companies.

Investment Advisers Management and Professional Liability

- **D&O Coverage for the Board and Executive Officers of the Adviser** – Broad definitions of Claim, Insured Person and Wrongful Act and coverage is extended to the Entity. Outside directorship liability coverage is extended to directors and officers who serve on the boards of non-profit organizations at the request of the Adviser.
- **Broad Errors and Omissions Coverage for Advisory Services** – Includes selection, oversight and direction of any outside service providers.

Mutual Fund Management and Professional Liability

- **Broad Definition of Insured** – Coverage for Funds and Insured Persons, including the fund's executives, trustees and employees.
- **New Mutual Funds** – Automatic coverage for newly created or sponsored funds.
- **Limited Exclusions** – No soft-dollar, fair valuation, directed brokerage or disputed fees exclusions in the policy. Important carve-backs are included in the broker/dealer and I vs I exclusions.

Investment Fund Management and Professional Liability

- **Broad Definition of Insured** – In addition to the Named Insured and Investment Funds, coverage is extended to the general partners of funds organized as limited partnerships and the boards of managers of insured entities that are LLCs, along with the fund's executives, trustees and employees.
- **Outside Directorship Liability Coverage** – Blanket ODL coverage is included for Insured Persons serving on the boards of Portfolio Companies (including those traded publicly) and non-profit organizations at the request of the Insured Entity.
- **New Investment Funds** – Automatic coverage for all newly created funds for 90 days following their creation, with continuing coverage for those newly created funds that are less than 175% of the size of the most recently created fund.
- **Limited Exclusions** – No exclusions for Claims brought by Portfolio Companies or regulators or for Claims involving disputed fees.

Other Policy Highlights

- **Broad Definitions of Professional Services** – All of the Coverage Parts that include E&O offer broad definitions of Professional Services including financial, economic or investment advice, the provision of computer and Internet services; and the selection, oversight and direction of any outside service providers. These definitions are NOT crafted in a limiting "named peril" fashion.
- **Policy is Non-cancelable by the Insurer** – Except for non-payment of premium.
- **Broad Severability Clauses** – The Policy offers broad severability language as respects all exclusions and the Warranty Clause.
- **Limited Fraud Exclusion** – Fraud & illegal remuneration exclusions are subject to final adjudication.
- **Employment Practices Liability Coverage and Pension and Welfare Fiduciary Liability Coverage** – Available upon request.

Note: This is designed to be a general overview of the policy and should not be construed as a complete explanation of the coverage that may be available. Different and/or additional terms and conditions may apply to the coverage sought. Please read your policy carefully and contact your agent or broker with any questions. (Jan 2005).