

TRAVELERS *SELECTONE* FOR INVESTMENT ADVISORS AND FUNDS

Your *Travelers SelectOne* policy can be customized to include any or all of the following coverages:

Investment Advisors Professional Liability

Mutual Fund Liability

Hedge Fund or Private Investment Fund Liability

Directors and Officers Liability (Public or Private)

Independent Review Committee Liability

Employment Practices Liability

Fiduciary Liability Fidelity

Financial Institutions Bond

Kidnap and Ransom

Why invest in protection with Travelers?

Investment Advisors Professional Liability

Investment Advisors offer a variety of services to clients, ranging from tailored advice on stocks, bonds and mutual funds to managing securities portfolios, but investment Advisors can be held liable if errors or omissions occur in the execution of services. Considering the numerous fiduciary, legal, professional and regulatory obligations faced by investment Advisors, protection is essential to ensure future success.

Mutual Fund Liability

Assets in the mutual fund industry increased to \$570 billion as at December 31, 2005, which represents an increase of 14.6% from 2004 and net sales of mutual funds rose to \$23.4 billion in 2005. (Source: Investment Funds Institute of Canada). Increased assets, regulatory actions and settlements have caused mutual fund activities to be scrutinized more than ever.

Hedge Fund or Private Investment Fund Liability

In an evolving industry known for its swift pace and competitiveness, balancing high expectations of sophisticated investors while managing funds with the utmost standards of good faith can generate a variety of liability exposures for hedge funds or private investments funds and their managers.

Directors and Officers Liability

Public Companies – Every day, newspapers are filled with articles about companies being sued over mergers and acquisitions, signs of financial weakness and conflicts of interest. Courts are overflowing with shareholders, competitors, customers and governmental entities making damaging claims against a company's directors and officers — many times resulting in seven-figure verdicts against businesses, and directors and officers who thought they were in the right.

Private Companies - Privately held companies are susceptible to the same types of liability as their public company counterparts. From small, family-owned businesses to large corporations, potential exposures exist relating to strategic planning, decision making and managing day-to-day operations. Potential liability scenarios may involve the sale of the company or a subsidiary, reorganization, signs of financial weakness, or conflict of interest.

Protecting your business' assets and your management team's personal assets is important and can assist in attracting and retaining qualified board members.

Independent Review Committee Liability

National Instrument 81-107 requires all Canadian investment fund and mutual fund managers to create an Independent Review Committee (IRC) for each reporting issuer. IRC members are charged with reviewing conflicts of interest that may arise out of the management of the funds and making recommendations to the manager as to how these conflicts may be resolved. IRC members may face liability for breaches of their obligations under National Instrument 81-107 as well as potential liability for negligence, negligent misrepresentation and/or breach of fiduciary duty. Independent Review Committee Liability coverage provides IRC members with protection from this type of risk.

Employment Practices Liability

Managing employment relationships is more challenging than ever. The number of employment discrimination complaints dramatically increased in the 1990s. Even though that number has since stabilized, the damage awards for EPL cases have steadily risen.

Fiduciary Liability

Employee pension, benefit and compensation programs are becoming increasingly complex. Anyone serving as a trustee, or who has discretionary authority over a pension or other employee benefit plan, assumes a certain level of risk and will take comfort in the protection afforded by fiduciary liability coverage.

Fidelity Financial Institutions Bond

Employee dishonesty can be an ongoing threat for firms that manage investments for both individuals and corporations. Internal fraud can often span many years before being detected and, by the time it is exposed, the dollar amount may have escalated to catastrophic proportions. Approximately three-quarters of cash misappropriations involve some form of fraudulent disbursement, with a median loss of \$125,000. (Source: Association of Certified Fraud Examiners study.) Fidelity coverage can provide you with assurance that your resources are adequately protected.

Kidnap & Ransom

Today's uncertain political climate has increased the threat of kidnapping, extortion and illegal detention. Only an expert, knowledgeable response by experienced Advisors, based on a detailed understanding of the complexities of kidnappings, detentions and extortions will provide you with the protection you need.

Coverage Highlights

Investment Advisors Professional; Mutual Fund; Hedge Fund or Private Investment Fund Liability; Independent Review Committee

- Coverage extends to the company, its directors, officers and employees (hedge fund coverage includes general partners)
- Expansive definition of insured persons
- Coverage for subsidiaries extends to certain owned or controlled limited liability companies and joint ventures
- Coverage for punitive or exemplary damages and the multiple portion of any multiplied damages, where insurable, on a most favorable jurisdiction basis
- Expansive definition of claim that includes formal regulatory proceedings
- Exception to the insured versus insured exclusion for claims brought by an employee as a customer or client
- You select counsel and defend claims
- 60-day automatic reporting period
- Bi-lateral extended discovery period with a 12-month minimum
- Coverage for estates, legal representatives, and spousal and domestic partner liability
- Automatic coverage for created or acquired subsidiaries that are smaller than a specified threshold for wrongful acts taking place after the acquisition date
- 45-day automatic coverage, or the remainder of the policy period, whichever is less, for acquired subsidiaries larger than a specified threshold for wrongful acts taking place after the acquisition date
- If your company is acquired, the policy continues until the end of policy period for wrongful acts committed prior to the date of acquisition (a coverage quotation can be provided for an additional run-off extension)
- Order of payments provision protects individual insured persons first and foremost
- Cancelable by Travelers only for nonpayment of premium (*where allowed by law*)
- Worldwide coverage
- Separate limit of liability for Independent Review Committee coverage

Superior flexibility

- Simple menu-driven declarations allow you to tailor coverage options to your specific needs
- Limits of liability up to \$25 million
- Separate limit of liability for each insuring agreement selected

Quality service

- Our de-centralized underwriting allows for efficient, expert service – provided through our Vancouver, Calgary, Toronto and Montreal offices
- Our dedicated claim service team is staffed by professional claim counsel and claim specialists

Travelers - experienced, reputable insurance carrier

At Travelers, we insist on quality, making us one of the most respected companies in North America. We are known for our superior products and services, and for developing effective insurance solutions to address specific industry risks. In fact, we were the first domestic carrier in North America to offer directors and officers liability coverage - back in 1964.

Our strength is backed by:

- A commitment to offering effective insurance products and services in Canada since 1866
- Independent rating services, including A.M. Best, Moody's and Standard & Poor's, consistently giving us high ratings for our claims-paying ability
- A consistent ranking on the Fortune 500 list of the largest U.S. companies

To learn more about TRAVELERS SELECTONE FOR INVESTMENT ADVISORS AND FUNDS contact your local Travelers Financial and Professional Services underwriting office.

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