

ALPHA BY CHUBB INSURANCE FOR INVESTMENT MANAGERS

General Terms and Conditions Executive Summary

What Are The General Terms And Conditions?

The general terms and conditions are general provisions of the policy which apply to the coverage sections. Below is a summary of those general terms and conditions.

What Territories Does Cover Extend To?

Cover extends to claims or losses anywhere in the world.

- Key policy provision to look at: Territory, Choice of Law and Jurisdiction

What Law Applies In Respect Of The Policy?

Generally, the construction and enforcement of the policy is determined by Australian law. Cover for punitive, exemplary and multiplied damages will be determined by the law that applies in the jurisdiction where such claims are determined.

- Key policy provision to look at: Territory, Choice of Law and Jurisdiction.
Definition of Loss under the D&O and Professional Liability Coverage Sections

What Is The Extended Reporting Period?

The extended reporting period is an additional period of time granted in respect of the Professional Liability and Directors and Officers Coverage Sections. When either or both of those Coverage Sections are terminated the insured has the right to an extended reporting period in which to report claims or formal investigations first made during the extended reporting period. There is no cover under the extended reporting period for claims in respect of wrongful acts committed or formal investigations occurring after the date that the relevant coverage section is terminated. The insured has the right to choose between:

- a 90 day extended reporting period for no additional premium;
- a 365 day extended reporting period (in addition to the 90 day extended reporting period as set forth above) for the additional premium set out in the schedule to the General Terms and Conditions.
 - Key policy provision to look at: Extended Reporting Period

What Happens If The Insured Acquires Or Creates Another Organisation During The Policy Period?

Professional Liability and Directors and Officers Coverage Sections

If the gross annual fees, assets under management or total assets of the acquired or created entity do not exceed 25% of the corresponding numbers for the insured organisation then the newly acquired or created organisation and its insureds become insureds under the Professional Liability and Directors and Officers Coverage Sections, but only for wrongful acts committed after the acquisition or creation date.

If the above 25% threshold is exceeded by the new acquisition or creation the insured must give the insurer notice of such acquisition or creation and coverage is subject to any additional terms the insurer may require, including an additional premium.

Crime Coverage Section

If the gross annual fees, assets under management or total assets of the acquired or created entity do not exceed 25% of the corresponding numbers for the insured organisation then the newly acquired or created organisation and its insureds become insureds under the Crime Coverage Section.



If the above 25% threshold is exceeded by the new acquisition or creation the insured must give the insurer notice of such acquisition or creation and coverage is subject to any additional terms the insurer may require, including an additional premium.

- Key policy provisions to look at: Acquisition or Creation of Another Organisation

What Happens If The Insured Acquires Or Creates New Funds During The Policy Period?

Funds that are created or acquired during the policy are covered automatically without the need for notification to the insurer or listing on the policy. The only exceptions to the above are newly created or acquired hedge funds, mortgage funds and property construction funds, for which there is a 90 day automatic cover during which notice must be given to the insurer. Coverage after that 90 day period is subject to the insurer's consent and to any amended terms the insurer may require. For all newly created or acquired funds cover applies from the date of creation or acquisition, but only in respect of wrongful acts committed after that date.

- Key policy provisions to look at: - Restructure of Funds.

What Happens If The Insured Divests A Subsidiary During The Policy Period?

Professional Liability and Directors and Officers Coverage Sections

Cover continues in respect of the divested subsidiary and its insureds until the termination of the policy or any renewal, but only for Wrongful Acts and Formal Investigations occurring prior to the effective date of the divestiture.

Crime Coverage Section

Cover ceases in respect of the divested subsidiary unless otherwise negotiated.

- Key policy provisions to look at: - Cessation of Subsidiaries.

What If There Is A Non-Disclosure Or Misrepresentation In The Proposal Form?

The insurer cannot avoid or rescind the policy even in the event of fraudulent misrepresentation or non-disclosure by the insured.

When Does The Policy Terminate?

The policy terminates at the earliest of:

- Fourteen days after a receipt by the insured of a statutory notice from the insurer cancelling the policy for non payment of premium (or thirty days after a receipt by the insured of a statutory notice from the insurer advising that the insured does not intend to renew the policy).
- Upon receipt by the insurer of a written notice of cancellation from the insured.
- Upon the expiration of the policy period

Summary Of Key Coverage Benefits

- Worldwide territory and jurisdiction;
- Extended reporting period available;
- The policy is non rescindable by the insurer even for fraudulent misrepresentation or non disclosure by the insured;
- Cover in respect of entities and funds acquired or divested during the policy period.

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Professional Liability Coverage Section Executive Summary

What Is Professional Liability Insurance?

Professional liability insurance is designed to protect the insured company and its employees from legal liability arising out of their provision of professional services.

What Insuring Clauses Are In This Coverage Section?

Fund Reimbursement

Pays loss on behalf of an investment fund where the insured company or an insured person is entitled to be indemnified from fund assets in respect of legal liability incurred arising from the provision of professional services.

Professional Liability

Pays loss on behalf of the insured company or an insured person in respect of legal liability incurred arising from the provision of professional services.

Legal Representation Expenses

Pays legal representation expenses in respect of attendance by an insured person at a formal investigation (including regulatory investigations). For cover to apply the formal investigation must relate to the performance of professional services by the insured person or company; routine or industry wide investigations are not covered.

- Key policy provisions to look at: Fund Reimbursement insuring clause, Professional Liability insuring clause, Legal Representation Expenses Insuring Clause, definition of Formal Investigation.

What Professional Services Are Covered?

Professional services are defined as financial or investment management services in respect of a fund or a mandate. The term includes the following:

- the formation, capitalisation and operation of a fund;
- the marketing of a fund;
- portfolio management and asset allocation services;
- professional supervision;
- administration, custodial and registry services;
- trustee and responsible entity services;
- publications prepared by any insured
 - Key policy provisions to look at: definitions of Professional Services, Fund, Mandate, Professional Supervision

What Funds Are Covered?

Every managed investment scheme, unit trust, investment company or partnership anywhere in the world managed by the insured is covered without the need for such funds to be listed on the policy, except for hedge funds, mortgage funds and property construction funds, which are only covered if they are expressly scheduled to the policy.

- Key policy provisions to look at: definitions of Fund, Hedge Fund, Mortgage Fund and Property Construction Fund

What About Newly Created Funds?

Funds newly created or acquired during the policy are covered automatically without the need for notification to the insurer or listing on the policy. The only exceptions are newly created or acquired hedge funds, mortgage funds and property construction

What About Newly Created Funds (Cont'd)?

funds, for which there is a 90 day automatic cover during which notice must be given to the insurer. Coverage after the 90 day period is subject to the insurer's consent and to any amended terms the insurer may require. For all newly created or acquired funds cover applies from the date of creation or acquisition, but only in respect of wrongful acts committed after that date.

- Key policy provisions to look at: General Terms and Conditions - Acquisition or Creation of New Funds

How Is The Policy Triggered?

The policy is triggered when a claim is made against the insured company or an employee by a third party during the policy period, regardless of when the act or acts which gave rise to the claim were committed.

- Key policy provisions to look at: definition of Insured, Insured Person, Claim.

Is There Cover For The Acts Of Agents?

The policy provides cover for claims arising from wrongful acts committed by outside service providers and other persons for whose acts the insured company becomes liable.

- Key policy provisions to look at: definitions of Wrongful Act, Outside Service Provider.

Who Is Covered?

The policy covers the insured company and any subsidiaries, together with all of the following individuals:

- members of any board committee or advisory board;
- compliance committee members;
- directors and officers;
- employees;
- consultants;
- responsible officers;
- directors of corporate trustees of superannuation funds for employees.
 - Key Policy provision to look at: definitions of Insured, Organisation and Insured Person.

What Is Covered?

The policy covers the following loss:

- Amounts the insured becomes legally obligated to pay as a result of a claim including damages, amounts awarded by way of compensation and settlement amounts
- Defence costs incurred in defending a claim
- Legal representation expenses arising out of attendance at any formal investigation
- Punitive, exemplary or aggravated damages
- Multiplied damages
- Pecuniary penalties
 - Key policy provisions to look at: definitions of Loss, Defence Costs, Pecuniary Penalties

What Is Not Covered?

The policy does not cover the following loss:

- Amounts the insured is absolved from paying by deed or other agreement;
- Fines and penalties
- Set offs, reductions or return of fees;
- Matters which the insurer is prohibited from insuring under Australian law
 - Key policy provisions to look at: definitions of Loss, Pecuniary Penalties

What Are the Coverage Extensions?

- Dedicated additional limit of liability for Executives - an additional limit of liability solely for claims against executives including directors and officers.
- Advancement of Defence Costs and Legal Representation Expenses - prior to the conclusion of a claim
- Emergency Defence Costs - allows defence costs to be incurred for a 30 day period without the insurer's consent where that consent cannot be obtained due to an emergency.
- Loss of Documents - covers loss arising from the damage or destruction of documents whilst in the insured company's custody.
- Continuity of Cover - covers claims or circumstances which should have been notified under a previous policy for which the current policy is a renewal or replacement, provided that Chubb has been the insurer without interruption since the relevant previous policy.
- Crisis Expenses - covers expenses up to the agreed sub-limit incurred in retaining a public relations firm following either (a) the announcement of a Formal Investigation, or (b) the death or resignation of a key man.
- Breach of Privacy - covers loss arising from breach of client privacy.
 - Key policy provisions to look at: Legal Representation Expenses Insuring Clause, Professional Liability Coverage Extensions, definition of Crisis Expenses.

What Is Excluded?

The policy excludes claims related to the following:

- Matters already notified under a previous policy
- Matters pending against the insured prior to the original inception date of cover
- Bodily injury
- Pollution
- Claims brought by an insured (with certain specific exceptions)
- For the liability of another party assumed by an insured by way of contract except where liability would have attached in the absence of such contract
- Insolvency of counterparties
- Loss related to tax deductible investment funds
- Fraud (operates only where there is a final adjudication of fraud)

Summary of Key Coverage Benefits

- Cover for most pre existing funds without the need for listing on the policy;
- At least 90 days (and in most cases unlimited) automatic cover for newly created funds;
- Dedicated additional limit of liability for Executives;
- Legal representation expenses cover for attendance at formal investigations;
- Broad professional services coverage grant;
- Cover for the acts of outside service providers and agents;
- Emergency defence costs cover
- Crisis expense cover;
- Breach of privacy cover;
- Loss of documents cover.

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Crime Coverage Section Executive Summary

What Is Crime Insurance?

Crime insurance covers the insured against loss sustained as a result of employee dishonesty or computer fraud committed by a third party.

What Insuring Clauses are in this Coverage Section?

Employee Dishonesty

Pays direct loss sustained by the insured company as a result of dishonest or fraudulent acts committed by any employee (either alone or in collusion with others).

Client Coverage

Pays direct loss sustained by a client resulting from dishonest or fraudulent acts any of the insured company's employee where such employee is not in collusion with the client's directors or staff.

Computer Fraud

Pays direct loss sustained by the insured company as a result of computer fraud committed by a third party.

Expense Coverage

- Audit expenses: costs of audits required by regulators as a result of a covered loss
- Investigative costs: costs incurred by an insured to establish the existence and amount of an employee dishonesty or client loss
- Computer Violation Expenses: costs incurred to replicate damaged or destroyed data or computer programs resulting from a covered computer fraud loss

Defence Costs

Pays defence costs for any legal proceeding with respect to which the insured would be entitled to Crime Insurance coverage.

- Key policy provisions to look at: Insuring Clauses

How Is The Policy Triggered?

The policy is triggered by the discovery of covered loss by the insured during the policy period, regardless of when the loss was sustained.

- Key policy provisions: Employee Dishonesty, Client Coverage and Computer Fraud Insuring Clauses

Who Is Covered?

The policy covers the insured company, any subsidiaries and any in house superannuation fund established for the benefit of the insured company's employees.

- Key policy provision to look at: definition of Insured

What Is Covered?

The policy covers direct first party loss sustained by the insured.

What Is Not Covered?

- For employee theft claims the policy does not cover:
 - loss from fraud which (a) did not result in an improper personal financial gain to the employee, or (b) was not committed with the intent of causing the insured to sustain a loss
 - salaries, bonuses and other forms of remuneration paid to an employee as a result of a fraud committed by the employee



What Is Not Covered (Cont'd)?

- For client coverage claims the policy does not cover loss resulting from collusion between the insured's employee and the client's directors or employees.
 - Key policy provision to look at: Employee Theft insuring clause, Client Coverage insuring clause

What Is Excluded?

In respect of all insuring clauses the policy does not cover:

- loss due to war;
- loss of income or profit by an insured or a client;
- damages for which the insured is legally liable (except direct compensatory damages arising from a covered loss);
- indirect or consequential loss;
- costs incurred in establishing a loss, except as covered by the Expense Coverage insuring clause;
- loss sustained by one insured to the advantage of another insured;
- costs incurred:
 - for reconstitution of data if an insured knowingly used illegal copies of programs;
 - to render the data usable by processing equipment;
 - to design, update or improve software;
 - as a result of data held on magnetic media.
- loss resulting from dishonest acts by non executive directors;
- loss of confidential information;
- loss resulting from voice instruction over the telephone.
 - Key policy provision to look at: Exclusions Applicable Ton All Insuring Clauses

In respect of the Computer Fraud insuring clause only the policy does not cover:

- loss caused by an employee (this is covered by the Employee Dishonesty insuring clause);
- loss through the surrender of property as a result of threat to harm a person or to do damage to the premises or property of an insured;
- loss arising from mechanical failure, design error, latent defect, wear and tear, programming error or omission in processing and other similar causes.
 - Key policy provision to look at: Exclusions Applicable to Insuring Clause 3

Summary of Key Coverage Benefits

- employee dishonesty cover;
- client loss cover;
- third party computer fraud cover;
- audit, investigative and computer violation expenses cover;
- defence costs cover.

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Directors and Officers Liability Coverage Section Executive Summary

What Is Directors and Officers Liability (D&O) Insurance?

D&O insurance is designed to protect the directors and officers of a corporation from legal liability incurred in their capacity as such.

What Are The Insuring Clauses In This Coverage Section?

Directors and Officers Liability

Pays loss in respect of legal liability incurred by the directors and officers of a company in their capacity as such.

Company Reimbursement

Pays on behalf of the company for indemnities provided to directors and officers in respect of legal liability incurred in their capacity as such.

Legal Representation Expenses

Pays legal representation expenses in respect of attendance by an insured person at a formal investigation.

Entity Securities Cover (Optional)

Covers the entity for legal liability in respect of securities claims.

- Key policy provisions to look at: D&O insuring clause, Company Reimbursement insuring clause, Legal Representations Insuring Clause, Entity Securities Cover Insuring Clause, definitions of Legal Representations Expenses, Formal Investigation and Securities Claim.

How Is The Policy Triggered?

For the Directors and Officers and Company Reimbursement insuring clauses the policy is triggered when an insured person has a claim made against them during the policy period alleging the commission of a wrongful act, regardless of when the wrongful act was committed. For the Legal Representations Expenses insuring clauses, the policy is triggered by the commencement of a Formal Investigation.

- Key policy provisions to look at: definition of Insured Person, Claim, definitions of Formal Investigation and Wrongful Act.

Who Is Covered?

The policy covers all past, present or future directors, officers, committee members and responsible officers of the insured company and any subsidiary.

- Key policy provisions to look at: definition of Insured Person, Subsidiary.

What Is Covered?

The policy covers the following loss:

- Amounts the insured becomes legally obligated to pay as a result of a claim
- Defence costs incurred in defending a claim
- Legal representation expenses of attendance at a formal investigation
- Punitive, exemplary or aggravated damages
- Multiplied damages
- Pecuniary penalties
 - Key policy provisions to look at: definitions of Claim, Loss, Defence Costs, Formal Investigation, Pecuniary Penalties

What Is Not Covered?

The policy does not cover the legal liability of the corporation, only its directors and officers (some of the exposures of the corporation are covered in the Professional Liability and Crime Coverage Sections of the policy).



What Is Not Covered (Cont'd)?

The policy does not cover the following loss:

- Amounts the insured is absolved from paying by deed or other agreement;
- Fines and penalties (except for pecuniary penalties);
- Matters for which the insurer is prohibited from insuring the directors and officers under Australian law.
 - Key policy provisions to look at: definitions of Loss, Pecuniary Penalties

What Are the Coverage Extensions?

- Advancement of defence costs and legal representation expenses prior to conclusion of claim
- Pecuniary penalties cover
- Defence costs incurred due to any occupational health and safety investigations
- Outside directorships - cover for directors who take board seats on external corporations at the request of the insured corporation.
- Full limit pollution defence costs cover.
- Full limit cover for loss arising from pollution based derivative actions
- Seven year run off for retired insured persons
- Emergency defence costs
- Continuity of cover
- Dedicated Additional Limit of Liability for Directors and Officers: an amount available to directors and officers once the policy limit is exhausted due to payment of claims.
 - Key policy provisions to look at: Policy Extensions

What Is Excluded?

The policy excludes claims related to the following:

- Matters notified under a previous policy
- Matters pending against the insured, subject to the continuity of cover extension
- Consensual claims
- USA insured v insured claims
- Bodily injury and property damage
- Pollution (subject to the extensions referred to above)
- Professional services (these are covered under the professional liability coverage section)
- Dishonesty (applies only after final adjudication of dishonesty)
- ERISA violations

Summary of Key Coverage Benefits

- Full limit legal representations cover
- Entity security claims cover
- Pecuniary penalties cover
- Outside directorships cover
- Full limit pollution defence costs cover.
- Full limit cover for loss arising from pollution based derivative actions
- Seven year run off for retired insured persons
- Emergency defence costs

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