

PrivateRisk ProtectorSM

HIGHLIGHTS

Small and mid-sized companies have big reasons to worry about management and professional liability risks. Now they also have an easy and affordable way to achieve peace-of-mind.

AIG companies'® PrivateRisk ProtectorSM is a flexible, cost-efficient package designed to address an array of management and professional liability risks. It's a simple solution, with far-reaching results. Businesses may choose one or more of six coverages¹ and combine them in one, efficient program. Each coverage is made for unique, growing businesses.

- ▲ **Directors, Officers and Private Company Liability Insurance**
- ▲ **Employment Practices Liability Insurance with EPL Pak® Premier Training and Loss Prevention Resources**
- ▲ **Pension Trust Liability Insurance**
- ▲ **Fidelity and Crime Coverage**
- ▲ **Employed Lawyers Professional Liability Insurance**
- ▲ **Internet Media Liability Insurance**

By combining selected coverages into a single program with low retentions and premiums, insureds assemble top-caliber protection, backed by the proven claims-handling expertise and the financial strength of National Union, the nation's management and professional liability insurance leader.

Insureds can easily add coverages as needs change. And administering and renewing coverage is easy with a streamlined application process. Qualifying accounts are eligible for automatic renewal—reducing the time and effort involved in completing an additional application.



¹ AIG NetAdvantage® can be added as an optional endorsement on qualified accounts.

**ADDITIONAL
COVERAGE FEATURES**



PrivateRisk Protector

Answering Real Market Needs

The following information will help you understand and assess a company's management and professional liability exposures—and the solutions PrivateRisk Protector offers to address them.

Directors and Officers Private Company Liability Insurance

Directors and officers of private companies along with the entity(ies) they represent are finding themselves under fire in lawsuits from numerous constituents, including employees, shareholders, customers, government bodies, and others. Yet despite this alarming trend, many private company directors and officers continue to underestimate the risks they can face when taking on management responsibilities. Their quest to contribute to the company's bottom line by dealing with day-to-day operations or making general business decisions can leave them more vulnerable to lawsuits. Moreover, these lawsuits can have a particularly severe impact, since the owner's personal net worth is often tied directly to the long-term financial health of the company.

PrivateRisk Protector D&O and Private Company Liability Insurance provides coverage for the many individuals who are frequently named in these suits: past, present or future directors and officers; employees of the company and outside entity executives. The policy also extends entity coverage, which encompasses owned subsidiaries² in which the insured company has a greater than 50 percent stake, as well as automatic new subsidiary coverage for subsidiaries with assets totaling less than 25 percent of the insured company's total assets.

Outside Directorship Liability Insurance provides an extra layer of security: This cover protects directors, officers and employees of the insured company that serve (at the specific written direction or request of the company) as a director, officer, trustee or governor of any not-for-profit organization or other entity specified in an endorsement to the policy ("Outside Entity").

Other Key Coverage Advantages

- ▲ Policy is not cancelable by the insurer.³
- ▲ Spousal/estate and domestic partners extension coverage provided.
- ▲ Worldwide coverage.
- ▲ Extended reporting period⁴ of one-, two- or three-years.
- ▲ Pre-judgment and post-judgment interest payment⁵ coverage.
- ▲ A 30-day post-policy reporting window⁶ provided.
- ▲ Optional duty to defend provision available.
- ▲ Breach of Contract exclusion applicable to Entity only.
- ▲ Securities exclusion exempts small offerings pursuant to Section 3(b) of the Securities Act of 1933.
- ▲ Automatic coverage for public offerings with 30-day reporting window.⁷

² Insurance underwritten for this coverage and the other coverages described herein by member companies of American International Group, Inc. (AIG). The description herein is a summary only. It does not include all terms, conditions, and exclusions of the policies described. Please refer to the actual policies for complete details of coverages and exclusions. Coverage may not be available in all jurisdictions. Issuance of coverage is subject to underwriting.

³ Except for non-payment of premium.

⁴ Unless policy is cancelled due to non-payment of premium.

⁵ Within the limit of liability.

⁶ As long as such Claim was first made against an Insured within the final 30 days of the Policy Period or the Discovery Period (if applicable.)

⁷ Subject to written notice, underwriting and payment of additional premium.

Pension Trust Liability Insurance

In 2003, companies paid an average of \$365,000 to merely defend against fiduciary claims—and the average indemnity payment per claim was close to \$1.2 million.¹⁶ Since then, as a result of the publicity brought about by high-profile scandals, the number of claims has continued to increase in both frequency and severity. Lawsuits alleging imprudent plan investment or misrepresentation by fiduciaries have become commonplace. The Employee Retirement Income Security Act of 1974 (ERISA), which governs employee benefit plans and regulates fiduciary responsibility, has been steadily amended to expand protection for plan participants, thus making fiduciaries significantly more accountable. Even routine management decisions can lead to personal liability for a company's directors and officers.

PrivateRisk Protector Pension Trust Liability Insurance is a low-cost solution that provides the high level of fiduciary liability coverage growing businesses need. The policy protects the business owners, directors, officers and employees, as well as plan sponsors and the plan itself. Coverage addresses a wide variety of claims and provides unique flexibility and support in managing litigation and mitigating losses. The policy covers, with no listing,¹⁷ pension and welfare plans, including plans that are sold or terminated during the policy period, and qualified and non-qualified plans. The policy also responds to:

- ▲ The 20 percent and 5 percent penalties assessed by the Department of Labor (DOL) under sections 502(l) and (i) of ERISA, respectively, and to civil penalties under section 502(c) of ERISA.¹⁸
- ▲ Penalties for violations of the privacy regulations under the Health Insurance Portability and Accountability Act of 1996 (HIPAA).¹⁹
- ▲ Certain other penalties and expenses associated with various DOL and Internal Revenue Service (IRS) voluntary compliance programs, including the DOL's Voluntary Fiduciary Correction Program, the IRS' Employee Plans Compliance Resolution System, and the DOL's and IRS' Delinquent Filer Voluntary Compliance Program.
- ▲ Claims for both monetary and non-monetary relief.

Other Key Coverage Advantages

- ▲ Definition of ERISA includes amendments brought about by the Health Insurance Portability and Accountability Act of 1996, the Newborns' and Mothers' Health Protection Act of 1996 and the Womens' Health and Cancer Rights Act of 1998.
- ▲ Coverage for punitive damages (where insurable by law).
- ▲ Explicit defense cost coverage for items expressly excluded from the definition of "loss."
- ▲ 30-day post-policy reporting period.²⁰
- ▲ Spousal, domestic partner and estate extension coverage.
- ▲ Policy is non-cancelable by the insurer (except for non-payment of premium).
- ▲ No "ERISA discrimination" exclusion.
- ▲ No "prior acts" exclusion.
- ▲ No "reversion of assets" exclusion.

The policy also advances defense costs and provides access to National Union's ERISA Panel Counsel—comprised of some of the nation's top ERISA litigation defense firms.

¹⁶ 2003 Fiduciary Liability Survey, Tillinghast-Towers Perrin.

¹⁷ Except for ESOPs

¹⁸ Coverage available by endorsement.

¹⁹ Ibid

²⁰ As long as such Claim was first made against an Insured within the final 30 days of the Policy Period or the Discovery Period (if applicable).

Employed Lawyers Professional Liability Insurance

Many small and mid-sized employers are choosing to hire in-house counsel and even an entire legal department to perform a wide array of legal services. These services may range from the very complex, such as mergers and acquisitions, to the more routine, such as contract negotiations. Each of these services potentially exposes the in-house attorney and its employer to claims of negligence, errors and omissions.

In addition, many employers now ask that their employed lawyers perform specified pro-bono services, again raising the risk that actual or perceived errors could result in a claim against the individual employed lawyer, not just the employer.

Many employed lawyers also perform legal services that fall outside the scope of their employment. Such representation may include real estate closings, divorce proceedings or estate planning and taxation. Dissatisfaction with the outcome of such “moonlighting” by the recipient of these services may lead to a lawsuit against the employed lawyer. No matter what the scenario, employed lawyers, even though only performing a few legal services, are subject to costly professional liability claims.

PrivateRisk Protector Employed Lawyers Professional Liability Insurance is a simple, affordable safeguard against the explosive financial impact of professional liability claims. Coverage addresses the wide variety of claims commonly brought against in-house counsel and their employers, including:

- ▲ Employment-related claims arising out of an in-house attorney’s legal work.
- ▲ Legal licensing procedures.
- ▲ Civil, administrative or arbitration proceedings against an employed lawyer.

PrivateRisk Protector offers a simple, affordable safeguard against the explosive financial impact of errors and omissions claims.

Other Key Coverage Advantages

Addresses the errors and omissions risks of the entire in-house legal team, extending coverage to:

- ▲ Past, present and future attorneys; full-time in-house attorneys; paralegals, clerical staff and other employees of the legal department. Employers have the flexibility of purchasing coverage for specific employed lawyers or the entire legal department.
- ▲ Protects the personal assets of employed lawyers in claims alleging professional malpractice, whether initiated by clients, vendors, employees or other third parties. It offers protection from claims arising out of the legal services provided to employers, as well as moonlighting and pro-bono services.
- ▲ Pays an employed lawyer’s non-indemnified damages, from first dollar, that may arise from a third-party’s claim of wrongful acts, negligence, errors, omissions or breach of duty in the performance of legal services.
- ▲ Covers the losses an employer sustains while indemnifying an employed lawyer for claims arising out of legal services.
- ▲ Provides defense costs even if the allegations of the claim are proven groundless, false or fraudulent.

**ADDITIONAL COVERAGE
FEATURES ON BACK COVER**



Employment Practices Liability Insurance

Employment practices claims have become commonplace for companies of all sizes, and even “routine settlements” in these claims can bankrupt growing businesses. Meanwhile, recent U.S. Supreme Court rulings impose greater liability on employers in discrimination lawsuits. These rulings, experts agree, mandate an affirmative defense in certain employment lawsuits—including proof that reasonable care was taken to “prevent and correct” unlawful behavior.

PrivateRisk Protector Employment Practices Liability Insurance addresses the wide variety of claims commonly brought against private companies by employees, including lawsuits alleging wrongful termination, discrimination, harassment, retaliation and other employment practices violations.

Insurance applies to the company and many of the individuals who are frequently named in these suits, including company directors, officers and employees.⁸ Covered employees include full-time, part-time, temporary and seasonal workers; past and present employees; and applicants for employment. Coverage is also provided for Equal Employment Opportunity Commission and Office of Federal Contract Compliance Program (OFCCP) proceedings and investigations.

Supporting the right practices and the best defense ...

Insureds receive EPL Pak® Premier, a package of loss prevention products and services designed specifically to support corporations in instilling proper workplace training and practices—and documenting due diligence in doing so. EPL Pak Premier includes:

- ▲ Title VII Plus, a Web-enabled training, testing and tracking program designed to help sensitize employees to important issues under Title VII of the Civil Rights Act of 1964 and other major federal discrimination laws.
- ▲ The HR Compliance Reference System, an Internet-based human resource compliance system, which provides access to:
 - ✓ Information on current, detailed state and federal employment legislation
 - ✓ The Recruiting, Retaining and Terminating Employees Manual
 - ✓ Ceridian Newsletter Abstracts
 - ✓ HR Comply Newsletter Abstracts
 - ✓ Unlimited Use of an HR Helpline

Other Key Coverage Advantages

- ▲ Coverage is not cancelable by the insurer.⁹
- ▲ Extended protection is provided for the spouses/estates and domestic partners of covered individuals.
- ▲ Provides¹⁰ optional one-, two- or three-year extended reporting periods.
- ▲ Pre-judgment and post-judgment interest payment covered.¹¹
- ▲ A 30-day post-policy reporting window automatically included.¹²
- ▲ An optional duty to defend provision included.
- ▲ Coverage for third-party discrimination and sexual harassment available.¹³
- ▲ Coverage for independent contractors available.¹⁴
- ▲ Punitive damages available.¹⁵

⁸ As such term is defined in the PrivateRisk Protector policy.

⁹ Except for non-payment of premium.

¹⁰ Unless policy is cancelled due to non-payment of premium.

¹¹ Within the limit of liability.

¹² As long as such Claim was first made against an Insured within the final 30 days of the Policy Period or the Discovery Period (if applicable).

¹³ Offered by endorsement and subject to underwriting information and additional premium.

¹⁴ By endorsement.

¹⁵ Ibid.

Fidelity and Crime Coverage

The average business loses six percent of its total annual revenue to employee fraud.²¹ It's a high cost, and one to which small and mid-sized companies are particularly susceptible, since these companies are statistically even more likely than larger corporations to be victimized by employee dishonesty. And since fidelity losses generally accumulate over long periods of time, the magnitude of the losses when finally detected can be utterly devastating. PrivateRisk Protector Fidelity and Crime Coverage is a simple, affordable safeguard against the explosive financial impact of employee fraud.

PrivateRisk Protector Fidelity and Crime Coverage responds to a wide range of losses arising from employee dishonesty—including many types of losses that are often not covered by package policies. Additionally, coverage includes the Fidelity Research and Investigative Settlement Clause (FRISC)—which helps cut costs and handling time of claims settlement by promoting cooperation and mutual agreement. Coverage can be expanded and enhanced to combat losses resulting from:

- ▲ Forgery and alteration.
- ▲ Theft of money and securities.
- ▲ Robbery and safe burglary.
- ▲ Computer/funds transfer.
- ▲ Newly acquired subsidiaries.²²
- ▲ Losses resulting from terminated employees during the first 45 days after termination.
- ▲ An expanded definition of employee to include: directors, trustees, non-compensated officers while performing employee duties and students gaining work experience.
- ▲ Diminution of deductible.

²¹ Association of Certified Fraud Examiners.

²² With assets below 5% of the Insured's assets.

An Essential Addition: Internet Media Protection

PrivateRisk Protector's EPLI, D&O Liability and Employed Lawyers Professional Liability Coverages can be enhanced to include AIG netAdvantage.[®] This low-cost endorsement protects insureds in claims alleging copyright or trademark infringement, libel, slander, defamation, invasion of privacy and other media exposures arising from the company's web site.

To learn more about PrivateRisk Protector, contact your insurance broker or your local National Union office. You can also e-mail us at managementliability@aig.com or visit us at www.aig.com.

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The risks and claims scenarios detailed herein are offered only as examples. Coverage depends on the actual facts of each case and the terms, conditions and exclusions of each individual policy. Anyone interested in the above product(s) should request a copy of the policy itself for a description of the scope and limitations of coverage. Policy terms may vary based on individual jurisdiction requirements and may not be available in all jurisdictions.



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