

Travelers SelectOneSM for Investment Advisers

CLAIM SCENARIOS

Even with the most thoughtful planning, there are risks involved with providing services to investors and managing a business. Travelers SelectOneSM for Investment Advisers is Travelers premier package of professional liability products, designed to protect investment advisers from risks associated with operating their business. SelectOne is a flexible, sophisticated insurance product that includes a wide selection of coverages, including Professional Liability, Management Liability, Employment Practices Liability, Fiduciary Liability and Optional Bond Coverage.

The claim scenarios below are examples of situations your company may face. Talk to your agent and ask how the Travelers SelectOneSM for Investment Advisers can help protect you.

Professional Liability Protection

This coverage is designed to protect the company and its directors, officers and employees from claims relating to the rendering of professional services.

Portfolio management

Your company enters into an agreement with a pension fund. After several years of double-digit returns the account performs significantly below the benchmark. The trustee of the pension fund sues the company and the portfolio manager for making numerous investments in companies that are not socially conscious, an alleged violation of the investment guidelines.

Funds withdrawal

A client of your company makes a request to liquidate his account effective immediately. One week later the client calls to check on the status of the liquidation and the client representative finds no record of the request. During that week the market value of the account dropped by 20 percent. The client sues, alleging the company was negligent and, as a result, the client was unable to close on a real estate property due to insufficient funds.

Stock purchase

A portfolio manager employed by your company buys a block of stock and distributes it evenly among your clients' accounts. Although the stock is traded on the New York Stock Exchange, the issuer is Canadian-based. Six months after the stock is issued, it drops in value by 30 percent. One of your clients sues, alleging a breach of investment guidelines and mismanagement of funds. The client claims he specifically requested that his money not be invested in stocks of foreign-based issuers.

Directors & Officers Liability Protection

This coverage protects executives as they manage the company.

Selling the company

Your board of directors has entered into an agreement to sell the company. A group of shareholders is unhappy with the decision and brings action against the board, alleging that the board breached its fiduciary duties by not making enough of an effort or investigation to determine if the selling price was adequate.

Majority shareholder fiduciary duties

Your company is controlled by a majority shareholder who is a director of the company. Minority shareholders, who are not directors or officers, believe their interests are not being represented and bring an action on behalf of the company, alleging the majority shareholder director has breached his fiduciary duty to the minority shareholders, committed acts of mismanagement and wasted company assets.

Investors filing suit

Your company raises capital through a private placement of equity securities. After the private placement, the company's financial condition and performance decline, lowering its value and, thereby, the value of its securities. The investors bring an action against your directors and officers, alleging negligent misrepresentation of your company's business, earnings, expansion plans and future business prospects.

Employment Practices Liability Protection

This coverage is designed to protect the company and its directors, officers and employees from claims involving any actual or alleged violation of any federal, state, provincial or local statutory law, common law or civil law anywhere in the world, prohibiting discrimination of any kind. It also includes harassment, wrongful discharge or termination, and negligent hiring or supervision of others.

Executive termination

Your company's vice president is terminated. The former vice president sues, alleging that his termination was in retaliation for failing to support a proposed acquisition of a company owned by a majority shareholder. The vice president's objection to the proposed acquisition was based on a questionable valuation of the company and the majority shareholder's potential conflict of interest.

Sex discrimination

A 43-year-old female security analyst of your company brings suit against your company, alleging that, despite excellent job performance evaluations, the company negligently failed to promote her for 17 years. She further contends that the company retaliated against her after she filed a complaint with the human resources department and that she has suffered emotional distress and sexual discrimination.

Age discrimination

An employee alleges that he was repeatedly denied promotions while younger employees outside his department were promoted. The employee points to a memorandum by the company's chairman and CEO, which was geared toward hiring, identifying and developing "young people" for future management positions.

Fiduciary Liability Protection

This coverage is designed to protect the company and its trustees, directors and officers from claims related to the management of your company's employee benefit plans. Coverage can be extended to your Employee Stock Ownership Plans and employees. Claims can be made for a breach of a fiduciary duty, a denial of a benefit under a plan or an ERISA Section 510 violation.

Profit sharing and savings plans

Your company sponsors a profit sharing and savings plan. The value of the plan assets deteriorates to the point where benefits are adversely affected. Plan participants bring suit, alleging that the plan wrongfully invested plan funds in high-risk investments in violation of the terms of the plan.

401(k) plans

Your company establishes a 401(k) plan that has a limited number of investment options. Plan participants allege that the plan's investment options were under performing and that your company breached its fiduciary duty because it did not offer investment options with higher returns.

Wrongful denial of disability benefits

A former employee sues your company and the plan administrator under ERISA, seeking review of a denial of long- and short-term disability benefits stemming from a disability.

Mutual Fund Professional Liability and Directors & Officers Liability Protection

This coverage is designed to protect the mutual fund and its board of directors from claims related to the management of the mutual fund.

Independent directors

The independent directors of the mutual fund vote to let their investment adviser's contract expire and hire a new adviser due to poor performance and violations of investment restrictions. The adviser, who is also the sponsor of the mutual fund, sues the independent directors for breach of fiduciary duty and wrongful termination of the contract.

Valuation

The share price of a bond fund plummets 30 percent in one day. The fund announced that the reason for the drop was because the value of the bonds in its portfolio had to be drastically reduced to reflect their current market value. A class action suit is brought against the fund's board of directors, alleging negligent oversight and breach of fiduciary duty. The claim alleges the fund directors failed to ensure that proper procedures were in place to value its holdings.

Investment restriction

A mutual fund's performance for the year was 20 percent below that of its peer group. Shareholders of the fund file a class action lawsuit, alleging the board of directors breached its fiduciary duties by allowing the investment adviser to violate an investment restriction stated in the Statement of Additional Information ("SAI"). The shareholders claim that more than 5 percent of fund assets were invested in one issuer, whose poor performance materially affected the fund's overall return. The shareholders also claim the board of directors should have been aware of the investment restriction and failed to take action to ensure the fund was in compliance.

Private Investment Fund Professional Liability and General Partnership Liability Protection

This coverage is designed to protect the private investment fund, its general partner or managing member, and any employees of the general partnership or limited liability company, for claims related to the management of the private investment fund.

Incentive allocation

A private investment fund posts significantly lower returns compared to previous years. Limited partners sue the general partner for breach of fiduciary duty and mismanagement for investing in securities that were risky in order to boost his incentive allocation and management fees.

Offering memorandum disclosure

A private investment fund reports significant losses in the portfolio. Limited partners sue the general partner for allegedly failing to disclose the risks associated with investing in the fund – namely, its heavy use of derivatives, which single-handedly caused the losses.

Distributions

A limited partner makes a request to withdraw his entire capital account from the fund. The general partner makes the requested distribution, but by the time the distribution takes place, the market value of the limited partner's account has dropped by 30 percent. The limited partner sues the fund and the general partner for breach of fiduciary duty and failure to make a timely distribution in order to reap additional fees.

Improve your protection – minimize your losses

To learn more about how you can protect your company with the Travelers SelectOneSM for Investment Advisers, contact your local independent insurance agent or broker, or log on to travelers.com.



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