

Investigation EdgeSM

Coverage for Securities Investigations

In the aftermath of the credit crisis, enforcement of securities laws has become a top priority. Reforms, like the Dodd-Frank whistle blower bounties, have fueled uncertainty with unprecedented mandates for rulemaking. The SEC, Department of Justice and FBI have all displayed renewed vigor as they seek to regain the public's confidence. Globally, enforcement collaboration is becoming the norm and foreign regulators like the U.K. Financial Services Authority have stepped up their investigation activity.

As a result, risk managers, CFOs and general counsels of companies with publicly traded securities have asked for an insurance solution to the increasing risk of becoming the target of a costly, multi-front securities investigation. The solution is Investigation EdgeSM– the first insurance policy designed specifically to address the cost of responding to securities investigations of companies with public securities.

Policy Features

Coverage for:

- Costs incurred by companies in responding to securities law investigations by a wide array of enforcement authorities worldwide, including:
 - U.S. Securities and Exchange Commission
 - U.S. Department of Justice
 - Enforcement units of securities exchanges
 - Investigations triggered by self-reporting
- Investigations of suspected securities law violations arising from:
 - Financial, proxy and other required disclosures
 - Insider trading
- Investigation response costs including:
 - Legal fees of pre-approved panel counsel
 - Discovery and e-Discovery
 - Fees and expenses of panel counsel in conducting an internal investigation in response to a covered securities law investigation
- Legally insurable settlement amounts other than fines, penalties, disgorgement or remediation

Optional Coverage

Available to qualified insureds for additional premium:

- FCPA coverage subject to \$5,000,000 sublimit
- Full entity derivative investigation coverage, may be sublimited

Terms

- No requirement for prior consent from the insurer before incurring response costs through pre-approved counsel
- Up to \$25 million in capacity

The SEC Reinvigorated

The passage of the Dodd-Frank Act includes a provision to double the SEC's budget by 2015, and a reserve fund of up to \$100 million has been created to ensure the SEC's enforcement budget increase even if congressional priorities change. Dodd-Frank also creates potentially lucrative whistleblower incentives. These changes, along with new leadership at the SEC, certainly point to a reinvigorated SEC.

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Investigation Edge Questions & Answers

Q: Investigations into securities violations are typically conducted by the SEC, but the DOJ and even foreign enforcement authorities are becoming increasingly active in this area – are investigations by those authorities covered?

A: Investigation Edge covers investigations by Enforcement Authorities, which is broadly defined to include enforcement units of the SEC, the DOJ and similar domestic and foreign agencies. Investigations into accounting, proxy, compensation and other required disclosures of companies with publicly traded securities are covered. Coverage for investigations into possible violations of the Foreign Corrupt Practices Act is available at an additional charge to qualified insureds.

Q: What drives the cost of responding to an enforcement investigation and are those costs covered?

A: Legal expenses and the cost of gathering information and documentation drive the cost of responding to an enforcement investigation. The magnitude of these expenses depends on a number of factors including the scope and complexity of the activity being investigated, the number and location of witnesses and documents to be produced, and the number of authorities involved. The cost can significantly increase if document translation is required. Investigation Edge covers legal services provided by pre-approved panel counsel as well as the cost of e-discovery vendors. Legally insurable settlement amounts (other than fines, penalties and disgorgement) are also covered.

Q: Isn't there coverage for investigations in my D&O policy?

A: While some policies, like Executive Edge launched by Chartis in 2010, offer enhanced coverage for individuals in connection with investigations, traditional D&O policies don't cover the entity's costs in connection with investigations by enforcement bodies, whether formal or informal. Investigation Edge is the first policy designed specifically to cover the entity's costs in responding to an investigation.

Investigation Edge is a bold new securities investigation insurance policy specifically designed to address the potentially staggering costs companies with publicly traded securities face in responding to an enforcement authority's inquiry or investigation.

To learn more about Investigation Edge, please visit www.chartisinsurance.com, e-mail executiveliability@chartisinsurance.com, or contact your insurance broker.

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