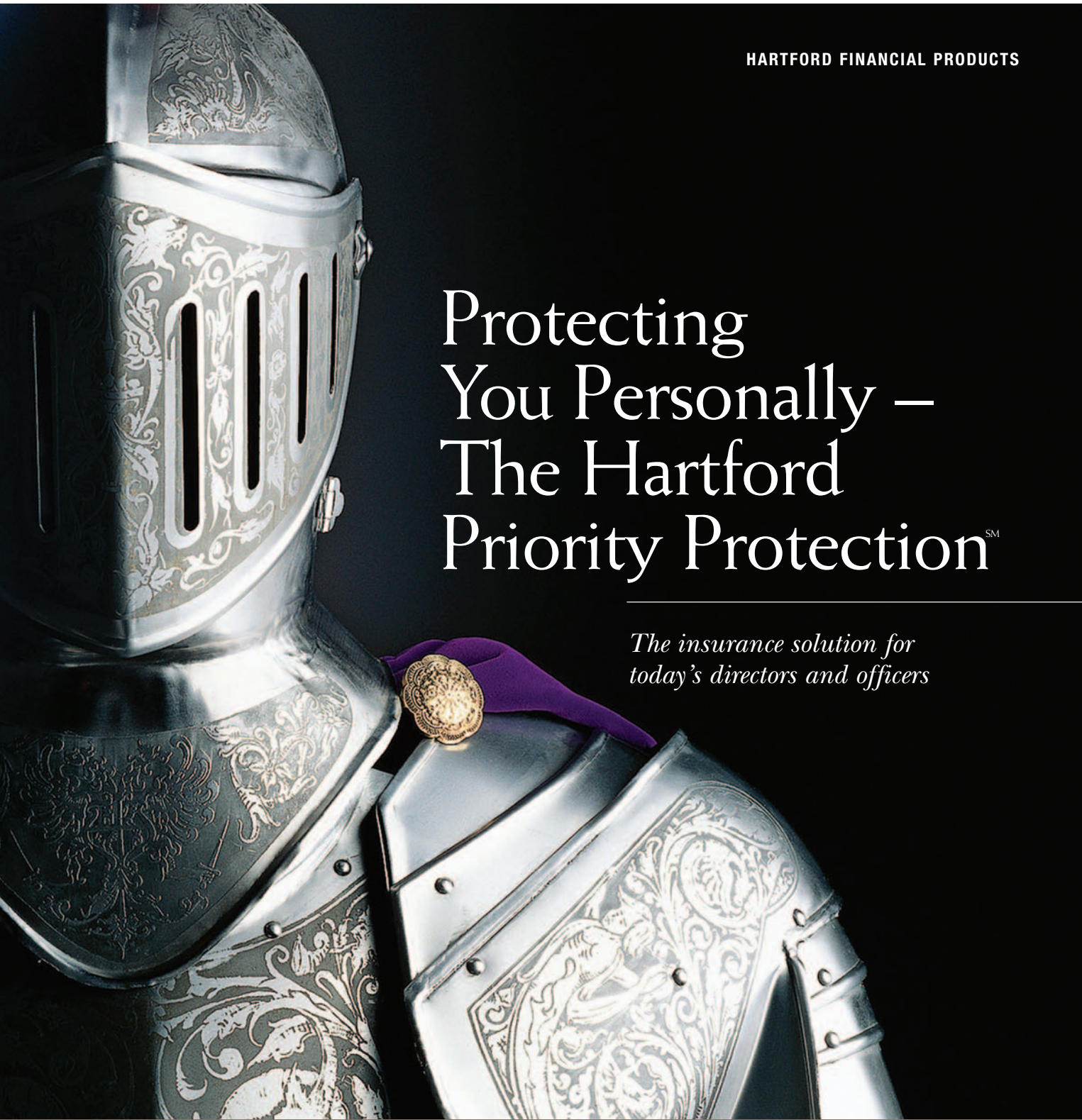


HARTFORD FINANCIAL PRODUCTS



Protecting You Personally – The Hartford Priority ProtectionSM

*The insurance solution for
today's directors and officers*





Protecting

Personal D&O Protection for Business Leaders on the Front Line

INTEGRITY AND
FINANCIAL STRENGTH
ARE IMPORTANT QUALITIES
TO LOOK FOR IN A
D&O LIABILITY INSURER.

In these litigious times and with the focus on complying with corporate governance regulations so important in business, today's directors and officers face more scrutiny and personal risk than ever before.

Directors and officers work hard to secure their futures and provide for their families, their retirements and their heirs.

you personally.

FOR MORE THAN 195 YEARS,
THE HARTFORD HAS DELIVERED
ON ITS PROMISES TO PAY CLAIMS.
RECOGNIZED FOR ITS
FINANCIAL STRENGTH AND
STABILITY, OPERATIONAL
EXCELLENCE AND SUPERIOR
CUSTOMER SERVICE,
THE HARTFORD'S
PROPERTY & CASUALTY
COMPANIES HAVE EARNED
EXCELLENT FINANCIAL RATINGS:
A.M. BEST A+
AND MOODY'S Aa3.

But those hard-won assets could be at risk if the company they help run is sued and:

- Is prevented by law from indemnifying the directors and officers
- Fails to indemnify the directors and officers even if permitted to do so
- Files for bankruptcy and is financially unable to indemnify its directors and officers
- The limits available to the directors and officers are exhausted due to payments under the company's coverage

In a company bankruptcy proceeding, for example, a traditional D&O liability policy could be considered an asset of the estate. With creditors vying for their share of the settlement, the policy limits can be exhausted quickly, leaving little or no protection for the company's directors and officers.

If that happens, there could be no coverage left for directors' and officers' personal assets, such as their home, automobiles, investments, and savings accounts – even if they did nothing wrong or were unaware of any impropriety.

Traditional D&O insurance was designed to help companies attract and retain high-quality board members and senior executives by shielding their personal assets from lawsuits. But today, under certain conditions, this coverage alone simply isn't enough.



Your Priority Is Ours

Fortunately, there is D&O liability insurance that offers additional protection for directors and officers. Our D&O liability insurance policy, The Hartford Priority ProtectionSM, is especially designed to cover you and your personal assets.

Product Advantages

The Hartford Priority Protection provides coverage for non-indemnifiable claims (often referred to as Side A coverage). It is a highly flexible, non-rescindable Side A policy designed for individual directors and officers at public and private organizations of all sizes.

Your Priority is

Highlights include:

- Severability of the application and the conduct exclusions preserves coverage for “innocent” insureds by not imputing one individual’s knowledge to another
- State-of-the-art “non-rescindable” language ensures that the insurance remains in place throughout the policy term
- No Hammer Clause, which can force directors and officers to accept settlements they believe are not in their best interests
- Broad claim definitions that include: civil, criminal and formal administrative proceedings, such as target letters from investigative authorities and subpoenas from the U.S. Securities & Exchange Commission
- Automatic coverage for directorships at outside not-for-profit organizations



- Worldwide coverage for equivalent directors and officers of foreign subsidiaries
- Coverage that is non-cancelable by the insurer except for nonpayment of premium

Valuable Excess Coverage

You can purchase The Hartford Priority Protection as a stand-alone primary policy, or purchase it as excess over a traditional D&O Liability policy by

adding our Excess Difference in Conditions Endorsement. This excess coverage will “drop down” if the underlying D&O insurance program denies coverage, is rescinded or is not permitted to advance defense costs in a bankruptcy proceeding.

Proven, Reliable Claim Service

Along with our valuable D&O protection, you also get The Hartford’s fast, expert claim handling. Our claim professionals are some of the most highly respected in the insurance industry.

A Strong, Stable Insurer

A leading provider of D&O liability insurance and investment and insurance products in the United States, The Hartford’s property & casualty companies consistently receive high ratings for our claim-paying ability. To millions of customers, The Hartford Stag is a trusted symbol of dependability, financial strength, operational excellence and superior customer service.

Shield your personal assets with The Hartford Priority Protection, and secure your future today.

To Learn More

For more information about The Hartford Priority Protection or other valuable insurance coverage from The Hartford, contact your Hartford Financial Products underwriter. You can also visit us on the Web at www.hfpinsurance.com.

Ours.

adding our Excess Difference in Conditions Endorsement. This excess coverage will “drop down” if the underlying D&O insurance program denies coverage, is rescinded or is not permitted to advance defense costs in a bankruptcy proceeding.

Additional Coverage for Independent Directors Only

Many independent board members desire their own limits that are not potentially depleted by claims against the company or its executives. The Hartford Priority Protection provides these additional limits and can be purchased as excess coverage with the

D&O Claim Scenarios



To give you a clearer picture of how The Hartford Priority Protection can cover directors and officers in different situations, take a look at these sample claim scenarios.

1. Insolvency

Problem

The Amalgamated Widget Corporation (“Amalgamated”) and its directors are sued for securities fraud. In accordance with its bylaws, Amalgamated advances money to its directors to cover their defense costs and continues to do so until the corporation files for Chapter 11 bankruptcy a year later. At that time, Amalgamated stops paying its directors’ defense costs.

Limited Solution with Traditional D&O Coverage

- The claim would be covered under the primary insurance carrier’s D&O liability policy – Side B (corporate reimbursement) coverage – up until the Chapter 11 bankruptcy takes place.
- After that, any further defense costs and potential settlement or judgment would be subject to Side A (individual) coverage in the primary insurance program, but this assumes that the policy limits have not already been totally exhausted by the Side B payments. Even if not exhausted, they may be severely eroded by defense expenses and other payments.

Improved Solution with The Hartford Priority Protection

- As the primary coverage provider, The Hartford would only provide Side A coverage and, therefore, the limit would not be depleted by the company’s indemnification prior to bankruptcy. Once the company was financially unable to pay, the entire policy limits would be preserved for the directors’ and officers’ defense costs and any settlement or judgment.
- As the excess coverage provider, The Hartford would provide Side A coverage to pay the insured’s defense costs and any settlement or judgment amount that exceeded the primary program’s Side A available limits.

2. When State Law Prohibits Coverage

Problem

The shareholders of Mega Bancorp (“Mega”) sue Mega’s directors. The lawsuit is based on the directors’ alleged mismanagement in allowing the CEO to hire, and then summarily dismiss, several highly paid executives, giving them unreasonably lucrative severance packages.

A Delaware corporation, Mega pays its directors’ defense costs. However, Delaware law prohibits coverage of any judgment or settlement that may take place later, as a result of the original lawsuit.

Limited Solution with Traditional D&O Coverage

- Defense costs in this claim would be paid by the primary insurance program’s Side B (corporate reimbursement) coverage. This is permissible under Delaware law, even though the law prohibits coverage for any judgment or settlement that may take place later. However, as indemnification is prohibited under Delaware law, there can be no Side B coverage for a judgment or settlement amount. Further, as in the preceding claim scenario, the limits may have been totally exhausted or significantly eroded by these payments, so as to render any Side A coverage under the primary program limited, at best.

Improved Solution with The Hartford Priority Protection

- Similar to Example #1, as the primary coverage provider, The Hartford would only provide Side A coverage and, therefore, the limit would not be depleted by the company’s indemnification prior to bankruptcy. Once the company was financially unable to pay, the entire policy limits would be preserved for the directors’ and officers’ defense costs and any settlement or judgment.
- As the excess coverage provider, The Hartford would provide Side A coverage to pay the insured’s defense costs and any settlement or judgment amount that exceeded the primary program’s Side A available limits.

3. Non-Compliant Indemnitors and/or Insurers

Problem

CarCo brings a lawsuit against TireCo and its former CEO, John Smith. The suit alleges that TireCo infringed upon CarCo’s trademark “Superior” for a new line of tires it was introducing under the name “Superior”. CarCo does not manufacture or distribute tires, but it does distribute automobile parts and accessories. Supposedly, Smith offered CarCo’s president a one-time flat fee to allow TireCo to use the name Superior, but CarCo refused and countered with a formal licensing arrangement that was unacceptable to TireCo. After that, TireCo introduced its Superior tires to the market.

continued on inside back cover

Limited Solution with Company's Indemnification Provisions and Traditional D&O Coverage

- Smith's defense costs would be covered under applicable corporate law and TireCo's bylaws. However, Smith had a contentious departure from TireCo and, based on legal advice that said coverage was allowed but not mandatory, the board refused to indemnify him.
- Because Smith allegedly acted intentionally, TireCo's primary and excess insurers denied coverage, even though the policy's intentional acts exclusion required a final adjudication for the exclusion to apply.

Improved Solution with The Hartford Priority Protection

- If there is no coverage under the primary insurer's program, The Hartford Priority Protection, when purchased along with our Excess Difference in Conditions Endorsement, would advance Smith's defense costs after he provided a written request and agreement to repay those costs.

- Smith would also be required to provide a written document stating that he would cooperate under The Hartford Priority Protection policy in pursuing recovery of defense costs from TireCo, its primary program insurers and any other sources.

The scenarios summarized above are offered only as examples. Coverage depends on the actual facts of each case and the terms, conditions and exclusions of each individual policy. Please refer to the policy to determine all terms, conditions, exclusions, and limitations of coverage. Coverage is provided by The Hartford companies and may not be available in all states.

www.thehartford.com

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