IDC
INDEPENDENT DIRECTORS COUNCIL

Mutual Fund D&O/ E&O Insurance

An Overview for Independent Directors

June 17, 2009

Panelists

- **Paul K. Freeman (Moderator)**
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- **David A. Sturms**
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Panel Outline

- Introduction to D&O/E&O Insurance
- Role of Fund Directors
- Questions to Consider

Introduction to D&O/E&O Insurance

- Purpose
- Basic Concepts
- D&O/E&O Insurance in the Mutual Fund Arena

Role of Fund Directors

- The Insurance Evaluation and Selection Process
- Insurance Evaluation/Selection as a Business Judgment
- Insurance Resources and Assistance for Fund Directors

Questions to Consider

- Which D&O/E&O policy should we select?
- What type of insurance structure is appropriate?
- Should we obtain extra protection for independent directors?
- What other questions might we have?

Questions to Consider:
Which D&O/E&O policy should we select?

- What options are available? How do these options differ with respect to coverage and other terms?
- What other factors may be important to consider in selecting among policy options?
- What factors should my fund group consider when determining how much coverage to purchase?

Questions to Consider:

What type of insurance structure is appropriate?

- What are the advantages and disadvantages of *funds-only* insurance policies versus *joint* insurance policies?
- Who should pay the premiums for a “joint” insurance policy and how should these premiums be allocated? How should insurance proceeds be allocated under our joint policy?
- What are the advantages and disadvantages of single-insurer programs versus “layered” multiple-insurer programs?

Questions to Consider:
Should we obtain extra protection for independent directors?

- How strong are the rights to indemnification that our funds provide to independent directors?
- Should we obtain special insurance protections for our fund independent directors?
- What are “reserved limits” and “priority of payment” provisions?
- What are independent director liability (IDL) policies?
- What are “tail” policies?

Questions to Consider:
What other questions might we have?

- Is my fund group contemplating a change in insurance carriers? If so, do we have concerns regarding "continuity of coverage"?
- If some of our funds are acquired, merged or liquidated, should we secure insurance protection against *future* lawsuits (or other future "claims") arising out of our funds' *prior* activities?
- What coverage is available if our directors are called as witnesses in lawsuits or investigations?