



Look No Further

Funds Management Fundamentals: Insurance

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OVERVIEW

1. Who we are – GSA
2. The current insurance market (particular focus on the FI sector)
3. Investment managers insurance – overview
 - Professional Indemnity
 - Directors & Officers Liability
 - Crime Insurance
 - Cyber Liability
4. Investment managers insurance – structure
5. Investment managers insurance – considerations

WHO WE ARE - GSA

Established 25 years ago, GSA is a Boutique Insurance Brokerage specialising in providing risk management and Professional Liability Insurance solutions for medium to large businesses, with a focus on the financial industry.

Scott Curley

Director – Professional Risks



Ryan Neary

Manager – Professional Risks



William Freitas

Account Manager – Professional Risks



CURRENT INSURANCE MARKET



New market entrants

- Downward pressure is placed on pricing as Insurers compete to establish/maintain market share
- Maintenance of breadth of coverage and /or subtle enhancement.



Claims experience

- Upward pressure is placed in pricing as Insurers seek to return portfolios to profitability.
- Policy tailoring in response to claims environment



INVESTMENT MANAGERS INSURANCE (IMI)

- An IMI Policy is an umbrella programme that provides protection for the Professional Indemnity (PI), Directors' & Officers' (D&O) and Crime exposures faced by fund managers.

Section 1:
Professional
Indemnity

Section 2:
Directors
&
Officers
Liability

Section 3:
Crime
Insurance



SECTION 1: PROFESSIONAL INDEMNITY (PI)

- Section 1 is PI - Protects the fund manager / responsible entity, against claims made by third parties arising from the provision of investment advisory services. Claim allegations must arise from a negligent act, error or omission arising from the provision of professional services.
- Be mindful of representations made within the Information Memorandum (IM) as it can be the main source of PI claims – clearly outline the risks sections within the IM.



SECTION 2: DIRECTORS & OFFICERS (D&O)

- Section 2 is D&O – Protects the Directors and Officers of the Company against claims made against them for allegations of wrongful acts in the management of the fund or entity
- D&O's face the threat of incurring personal financial liability as a result of their actions. Claims are currently brought against D&O's by shareholders, regulatory authorities, creditors, customers and employees
- Fast Fact – The current gross written premium in the Australian D&O market is approx \$222million, with a claims reserve of \$1.2billion.



SECTION 3: CRIME INSURANCE

- Section 3 is Crime – Provides Indemnity to the Fund Manager for any direct financial loss arising out of theft, fraud, dishonesty or criminal damage caused by an employee of the fund and or a third party criminal act effecting the fund.

Some examples of Claims could be:

- Fake/Fraudulent Fund Transfers
- Rigging the Computer System to deliver inaccurate valuation reports to clients and stealing the balance
- Stolen Cheques that are Fraudulently changed
- Employee stealing deposits/client funds over a period and then shuffling funds between accounts to fill the gaps.



CYBER LIABILITY

- Separate to the IMI policy however Cyber Liability (otherwise known as Security & Privacy) provides coverage for the following:
 1. Privacy Breach Costs
 2. Digital Asset Replacement Expenses
 3. Security and Privacy Liability
 4. Business Income Loss and Dependent Business Income Loss
 5. Cyber Extortion Threat and Reward Payments
 6. Internet Media Liability



IMI POLICY STRUCTURE



INVESTMENT MANAGERS INSURANCE - CONSIDERATIONS

- Limit of Indemnity (What is Sufficient)?
- Excess Levels in the event of a claim is it sustainable?
- Do the terms and conditions of my policy sufficiently cover my exposures?
- Is there any coverage restrictions/exclusions under my Policy that are severely going to restrict me or hinder coverage in the event of a claim?
- Will Insurer's advance defence costs in the event of a claim?
- What is the actual aggregate amount of Indemnity available to me?

THANK YOU



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