

Key Features:

Fund, Investment Management &
Fraud Insurance Wording

Introduction

At Howden we continually review and update our insurance policy wordings for the asset management sector in light of changes in regulation, client requests, coverage reviews and claims experience.

Our Addleshaw Goddard reviewed Fund and Investment Management Liability and Fraud wording is AIFMD compliant and designed to cover costs / settlements associated with liability to others or with regulatory investigations arising from the delivery of professional services and the management of your business and for entity loss as a result of employee and third party fraud.

Coverage

The policy is specifically designed for the asset management sector, with broad definitions of insured persons, insured entities and management services.

The main areas of cover for managers, funds and individuals are:

Cover	Professional Indemnity (Errors & Omissions)	Management (Directors' & Officers' Liability)	Fraud
Protecting	Balance sheets of insured entities	Wealth of insured individuals and balance sheets of entities that indemnify them	Balance sheets of the insured entities
From	Claims against and regulatory investigations into an entity or an employee in respect of the delivery of professional services	Claims against and regulatory investigations into an individual in respect of acts committed in the capacity of a director	Employee fraud, loss of property, third party fraud or computer fraud, including social engineering attacks, against an entity
By Paying	<ul style="list-style-type: none"> Damages, settlements and defence costs Regulatory Investigation Costs Civil fines and penalties where insurable by law 	<ul style="list-style-type: none"> Damages, settlements and defence costs Regulatory Investigation Costs Civil fines and penalties where insurable by law 	<ul style="list-style-type: none"> Financial loss Legal fees and expenses

General Conditions

- Difference in Conditions:** Should terms of your expiring policy be broader than those under this wording they shall apply to relevant claims.
- Cancellation:** The policy may only be cancelled for non-payment of premium.
- Takeover:** In the event of a takeover the policy remains in force until expiry for claims arising from acts committed prior to such takeover.
- Extended Reporting Period:** Pre agreed rates for extended reporting periods in the event that insurers or you do not renew the policy, or in the event of a takeover.

Professional Indemnity and Directors and Officers Liability Coverage Extensions

- **Regulatory Events:** Full limit available for costs incurred in connection with a regulatory event including those:
 - of the manager and funds as well as the insured persons
 - for responding to on-site visits involving production of documents or interviews and for investigations or enquiries by a regulatory body
 - for representation at an internal investigation in to activities which could result in notification to a regulatory body of a suspected breach or regulatory requirements
 - for a Section 166 “skilled persons review” commissioned by the FCA to the extent that such a review is subsequently relied upon by any Regulatory Body.
- **Mitigation Costs:** Cover for costs incurred in mitigating the consequences of any act or omission in circumstances where, had such payment not been made, a claim would have been made. Prior approval by insurers of such costs is not required for cover to be provided under the policy.
- **New Funds:** Automatic cover for new funds until the end of the policy period at no additional cost unless they are engaged in a different line of activity to previously established funds or are listed in the USA when cover will be provided for 90 days from creation of such funds to allow insurers to underwrite the changed risk.

Personal Liability:

- **Additional limit of indemnity:** GBP1,000,000 for each insured person once the policy limit has been eroded. This applies to claims unrelated to those eroding the original limit of liability.
- **Corporate Taxes:** cover for the personal liability of Insured Persons for non-payment of unpaid corporate taxes of an insured entity if the entity is unable to pay the taxes because of insolvency or legal prohibition provided the liability does not arise from an Insured Person’s intentional act.
- **Retirement:** 72 months extended reporting period for those insured individuals retiring prior to expiry of the policy if no other policy is in place.
- **Takeover:** 72 months extended reporting period for those insured individuals who held office prior to the takeover if not other policy is in place
- **Senior Managers Regime:** Coverage caters for the Senior Managers Regime when it comes in to force for asset managers or for similar regimes in other jurisdictions.
- **Liberty and property proceedings:** Coverage for associated costs.
- **Risk management:** Costs for legal advice to minimise the risk of a potential claim.

Fraud / Cyber Coverage

This provides cover for your loss resulting from employee or third party fraud, including phishing or social engineering attacks amongst a number of other cyber exposures. It includes extensions for:

- Fees and expenses incurred for verification, reconstitution or removal of data or computer programs by a specialist or professional following a fraud loss.
- Identity theft cover for fees and expenses incurred and paid by the insured arising out of theft, misappropriation or misuse of personal or corporate data relating to any Insured.

Exclusions

Insurers exclude matters known by the insured, those that would be against public interest to insure, those not insurable by law and those that should be covered by other types of insurance. Exclusions are applied to relevant sections only and are summarised below:

All Sections

- **Sanctions:** excludes loss to the extent that the provision of insurance coverage for such loss would expose insurers to breach of applicable sanction laws.
- **Takeover:** excludes any loss arising from any act actually or allegedly committed subsequent to a takeover unless covered under the relevant insured persons extended reporting period.
- **Previously Notified or Known Matters**

Professional Indemnity and Directors' and Officers' Liability Only

- **Bodily Injury or Property Damage:** this exclusion does not apply to costs, charges and expenses; to any claim for documents which have been destroyed, damaged, lost or mislaid; for mental anguish or emotional distress arising from an employment practice act; for breach of health and safety regulations or a corporate manslaughter proceed; for libel and slander or which is a derivative action.

Directors' and Officers' Liability Only

- **Deliberate Dishonesty:** this exclusion only applies if a final non-appealable judgement or other final non-appealable adjudication in any underlying proceedings establishes against the relevant Insured Person that such dishonesty or fraud occurred. Up to such point insurers shall advance Costs, Charges and Expenses.

Management Insured Professional Indemnity Only

- **Contractual Liability:** this exclusion does not apply if (i) such liability arises from the duty to exercise reasonable skill and care in the performance of obligations under such contract or (ii) such liability would have attached in the absence of such contract or agreement. The exclusion does not apply in respect of indemnification provisions within any contractual agreements between insureds or between any insured and any fund.
- **Illegal Fees:** for charges paid or payable to any Management Insured to which they were not legally entitled. However this exclusion does not apply to costs, charges and Expenses.

Fraud Only

- **Indirect or Consequential Loss:** This exclusion does not apply to costs incurred to determine a loss or for verification, reconstitution or removal of data.
- **War or Radiation.**

Claims Notification and Handling

- Notification required via Howden at the earliest practicable moment after first knowledge by the CEO, CIO or COO or by any director of a fund and in no event later than 30 days after expiry of the policy.
- Please do not negotiate a settlement or select defence counsel without insurers' prior approval. Notwithstanding the foregoing, cover under mitigation and emergency defence costs extensions is provided without the need for prior approval.
- Underwriters may not decline a claim or void the policy if the Insured has failed to comply with the claim notification provisions in the policy because of a legal or regulatory prohibition
- If an Insured notifies a circumstance which, in their opinion, could give rise to a loss or claim in the future, Underwriters must accept the notification subject to the policy terms, exclusions and conditions
- The insured can refer a dispute with insurers, should one arise, to arbitration with 60 days' notice.

This is a summary of coverage only, for full details please see the Howden policy wording.



expect more

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