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Financial Risk & Limit Options

Power through Partnership.

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Financial Risk Insurance Limit Options

Typically, Asset Managers purchase two types of Financial Risks insurance:

1. Professional Indemnity (PI)
PI insurance responds to a Manager's legal liability to third parties (e.g. Investors/ Customers) arising out of the provision of professional services.

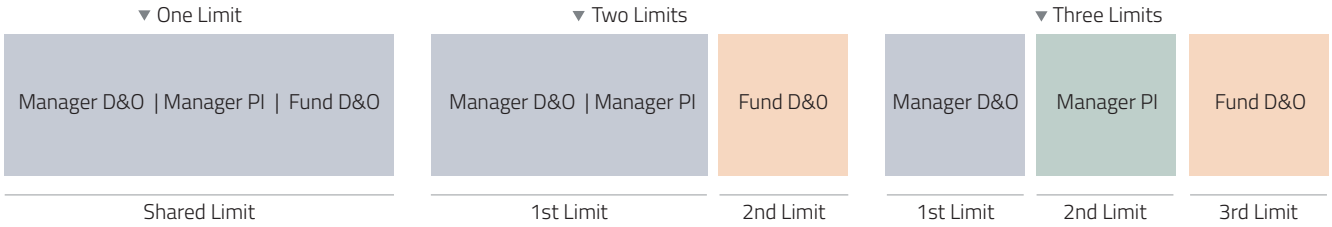
2. Directors' and Officers' Liability (D&O)
D&O insurance responds to the legal liability of the Manager and/or the Fund (e.g. to Shareholders or Regulators) arising out of the management of the entities themselves

What's the difference between PI and D&O?
The main difference between PI & D&O insurance policies is the capacity in which the wrongful act, which gives rise to the claim, is committed. The PI policy will trigger when the wrongful act occurs where services are being provided to customers. Conversely, the D&O policy relates to acts committed in the course of the overall management of the companies by individuals ie the three policies required:

a. PI in respect of the Manager (this is typically the most costly cover within this group)
b. D&O in respect of the Manager
c. D&O in respect of the Fund

What are the differences/benefits of the respective options?

These insurances are generally purchased using one of the following aggregate limit structures:



This structure provides a single limit which is shared between Manager D&O, Manager PI and Fund D&O. Each insured party may independently erode that limit, on a first come first served basis, therefore potentially reducing the cover limit available to the other insureds.

This structure provides separate ring-fenced limits, one for the Manager D&O and PIand separately, one for the Fund D&O. Any erosion of the cover available to the Manager entities will not impact the cover available to the Fund entities, and vice versa.

This structure provides three separate ring-fenced limits, one for Manager D&O, one for Manager PI and one for Fund D&O. Similar to the two-limit structure, any erosion of the limit available to the Manager entities will not impact the cover available to the Fund entities. Furthermore, any claims made regarding the Manager PI policy (e.g. allegations of negligence, trade errors etc.) will not impact the cover available to Director and Officers of the Manager entities.

YOUR CONTACTS

Jonte Bousfield
Divisional Director
E: jonte.bousfield@apldn.com
T: +44 (0) 20 7529 2391

James Collier
Associate
E: james.collier@apldn.com
T: +44 (0) 20 7337 6824