

Our other Professional and Management Liability products

- a. Directors and Officers Liability
- b. Venture Capital Asset Protection
- c. Professional Indemnity
- d. Employment Practices Liability
- e. Multi Media Liability
- f. Commercial Crime Insurance
- g. Educators Professional Liability
- h. Public Offering of Securities
- i. Forefront Portfolio
- j. Financial Institution Professional Indemnity
- k. Miscellaneous Professional Indemnity
- l. Kidnap and Ransom

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Take it easy!

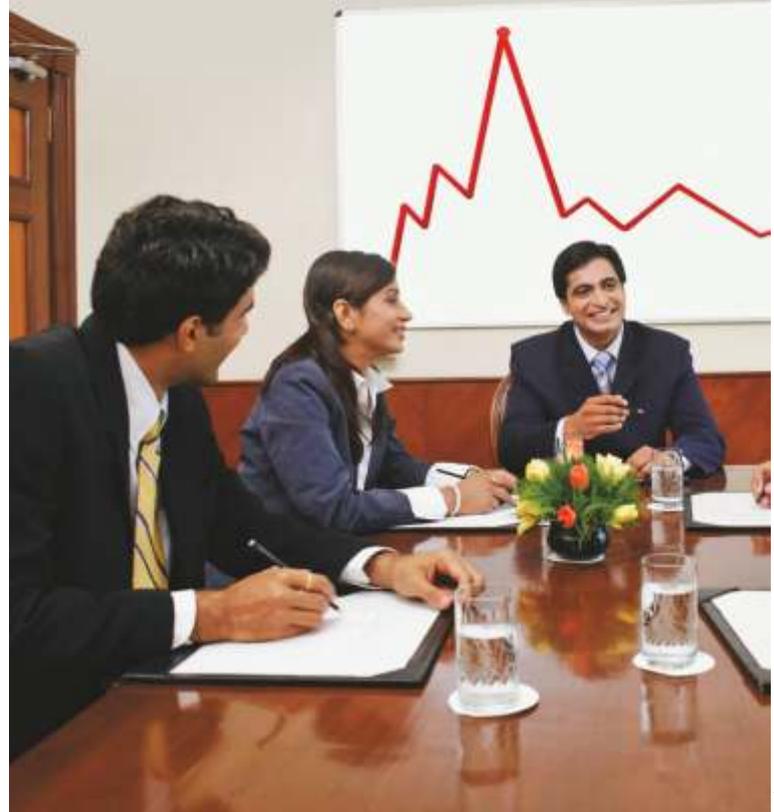
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MUTUAL FUND ASSET PROTECTION

**HDFC
ERGO**

Take it easy!

It's all about managing risks



The Mutual Fund industry has evolved in India over the years with ever increasing presence of global fund houses, increased interest from global and domestic institutional investors and substantial retail investors from India. Whilst it has grown in size and investor base it is still vulnerable to volatility of global stock markets, the constant battle to deliver investor value and growing investor's and regulator's activism.

Sensing this stock market regulator SEBI has been proactive in advising and mandating risk management requirements of all MF players: The Mutual Fund must buy insurance cover against third party losses arising from errors and omissions. Third party liabilities refer to liabilities arising out of financial loss to investors or any other third party, incurred due to errors and omissions of directors, officers, employees, trustees, R&T agents, etc.

WHAT WORRIES INVESTMENT MANAGERS

- § Improper trading
- § Disputes over fees
- § Inappropriate Investments
- § Breach of investment guidelines
- § Failure to properly disclose risks
- § Inappropriate Valuation of Investment securities
- § Breach of fiduciary duty trust

HDFC ERGO's Mutual Fund Asset Protection Insurance policy is tailored to meet the specialized needs of mutual fund professionals like you.

WHO IS PROTECTED

This policy is specifically designed to address the structure common in the fund management industry, namely

- § The Mutual Fund
- § The Corporate Trustee
- § The Investment Management Company
- § The policy offers protection for the firm's critical contributors, including present and future directors, officers and employees of the Corporate Trustee and or Investment Manager.

CUSTOMIZED INSURANCE PROTECTION

It covers activities of fund management firms including

- § Errors, omissions, misstatements, misleading statements, neglect, breach of duty or breach of trust while performing or failing to perform professional services
- § Errors, omissions, misstatements, misleading statements, neglect, breach of duty or breach of trust by a trustee, director or officer of the Corporate Trustee or Investment Management Company

POLICY FEATURES

The definition of a claim includes civil or criminal proceedings administrative investigations and written demands.

- § Claims made policy
- § Acts of an Insured / knowledge possessed by an Insured will not be

imputed to other insured

- § Insurance solution for any combination of unit trusts, Trustees. Investment managers and their directors, officers and employees
- § Extended reporting period is available
- § In the event of acquisition/ change in management control of the Insured, the policy will run till its natural expiry without termination
- § Advancement of defense costs prior to final disposition of a claim
- § Defense costs are provided within the limit of liability
- § Insureds have the right to choose their own legal counsel subject to HDFC ERGO's prior approval
- § Worldwide cover
- § Spousal liability extension
- § Estates and legal representatives of incapacitated or deceased insured individuals are covered

WHAT IS EXCLUDED

- § Pending or prior litigation, demands or judgments
- § Claims against the fiduciaries or administrators of any retirement or employee benefit plan for employees
- § Investment banking and dealer exclusions
- § Defamation, wrongful entry, eviction, false arrest or imprisonment, malicious prosecution, assault or battery
- § Claims of deliberate fraud, willful violation of regulations or statutes, illegal profit or advantage are excluded where they are established in fact
- § Assumption of the liability of third parties pursuant to contract
- § Intentional breach of contract where established at final adjudication
- § Claims brought by security holders of trustee or investment manager
- § Counterparty insolvency exclusion

CLAIM EXAMPLES

EXAMPLE : 1

ABC Company made an error while amortizing its investment by entering the wrong cost of acquisition. The error was observed 30 days later and it resulted in an inflated NAV and hence the AMC, with the specific instructions from the Trustee and approval of an Independent Counsel, had to transfer around US\$ 500,000 for rectifying the error to avoid a possible dispute from the investors.

EXAMPLE : 2

ABC Scheme invested US\$ 3 Mn in XYZ with a call/put option and a fixed maturity date. Just before the maturity, in investment committee meeting it was decided to transfer this security from scheme ABC to another scheme DEF. Inadvertently, the same was not executed. At the same time, on maturity, call/put option was also not exercised. This was later discovered during periodic checks. ABC tried with XYZ to exercise the option during the next few days with no avail. In view of repercussions and possible disputes with Investors, the Trustees advised the fund to effect the transfer of this scrip as per market rates prevailing on the date of transfer to DEF scheme. This resulted in a loss of US\$ 100,000 to ABC scheme investors which was to be made good by ABC scheme Investment manager.