



# Claims Realities

## Investment Management Insurance

### PROFESSIONAL CIVIL LIABILITY

#### Breach of Investment Mandate

##### Example

An investment manager unassumingly breached the investment mandate of multiple investors. By the time the error was discovered, the market movement negatively impacted the investors leading to complaints and litigation, ultimately costing the insured in excess of \$2.2m.

#### Failure to Disclose Information

##### Example

Despite an investor being a Professional / Accredited Investor, allegations were brought against an investment manager for failure to disclose pertinent risks associated with an investment that lost significant value. Defence costs and out of court settlement ultimately cost the investment manager in excess of \$4m.

#### Improper Advice and Suitability

##### Example

A prominent global investment manager catering to wealthy individual professional investors was investigated by the regulators after 100+ investors complained about losses they incurred on an index linked note. Allegations included the failure to properly assess financial and investment objectives of the insured along with risk disclosures of the product. The investigation incurred costs in excess of \$5m and lasted over 6 months. In addition, the insured agreed to settle with each investor up to the principal amount invested.

#### Allegations of Market Manipulation

##### Example

A prominent investment manager was investigated by the regulator for allegations of “window dressing”. Significant legal costs incurred along with reputational damage and client redemptions. Civil action was taken against the investment manager leading to further costs and fines. Overall legal cost to the insured exceeded \$5m and ultimately led to significant redemptions.

### MANAGEMENT LIABILITY

#### Regulatory Investigation against Insured Persons

##### Example

Following a surge of complaints by retail investors, the regulator commenced a 5 month investigation into the selling practices, suitability controls and document disclosure practices of a major investment manager. Interviews were conducted with over 200 staff ultimately leading to legal costs and expenses of over \$3m.

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## Investment Management Insurance

### Gated Fund leading to Investor Claims

#### Example

A leveraged fund operating in a volatile sector got caught up on a series of poor investments that lead to investors withdrawing their investments. The manager was forced to gate the fund leading to claims brought by investors for breach of duty. Allegations also included negligent investments. The Investment Management Insurance policy with both the Managerial Liability and Professional Civil Liability seamlessly responded to the allegations.

### CRIME PROTECTION

#### Misappropriation of Assets

#### Example

An employee (a "client manager") misappropriated client monies over a span of four years before being detected by an internal audit. The employee was able to misappropriate assets in excess of \$18m from 12 wealthy clients to support her extravagant lifestyle.

#### Fraud of an Investment Manager

#### Example

An investment manager of a fund with a specific mandate from a regional bank was found to have falsified monthly valuation statements and had fraudulently moved the assets off-shore and disappeared along with the assets. Total assets misappropriated exceeded \$22m. Though some assets were eventually recovered, the entity was forced into liquidation and seized by the authorities.



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