

## What Does the Policy Cover

- 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 Asset Management Company

## What Are the Main Concerns Addressed By the Policy

- Improper trading
- Disputes over fees
- Inappropriate investments
- Breach of investment guidelines
- Failure to properly disclose risks
- Inappropriate valuation of portfolio securities
- Breach of fiduciary duty/trust

## Who are covered?

- The Mutual Fund
- The Trustee
- The Asset Management Company
- All directors, officers and employees of the Corporate Trustee and/or Investment Manager (past, present and future)

## Policy Features

- Definition of claim includes civil or criminal proceedings, investigations and written demands
- Extended Reporting Period
- Severability of all exclusions for insured individuals
- Severability of the proposal form
- Can insure any combination of Unit Trust, trustees, investment managers and their directors, officers and employees
- Automatic cover for certain newly created or acquired subsidiaries
- No prior acts exclusion
- Automatic "run off" cover for divested subsidiaries

- Automatic "run off" cover for insured, if acquired
- Multi-year policies available
- Advancement of Defense costs prior to final disposition of a claim
- World-wide cover
- Spousal liability extension
- Estates and legal representatives of incapacitated or deceased insured individuals are covered

### Main Exclusions

- Pending or prior litigation, demands or judgments
- Circumstances notified under a prior insurance policy
- Claims brought by one Insured or affiliated person against another Insured other than:
  - Derivative actions brought by shareholders or regulatory bodies
  - Wrongful termination claims
  - Claims by an insured individual for contribution or indemnity
  - Claims brought by a trustee as required by law
  - Claims against the fiduciaries or administrators of any retirement or employee benefit plan
- Bodily injury or property damage exclusion
- Investment banking and dealer exclusions
- Pollution
- 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 a contract
- Intentional breach of contract where established at final adjudication
- Claims brought by security holders of trustee or Investment Manager
- Counterparty insolvency exclusion

### Claims Example

ABC Company made an error while amortizing its investment by entering the wrong cost 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 Council, had to transfer around INR 23,000,000 for rectifying the error to avoid a possible dispute from the investors.

ABC Scheme invested INR 138 Mn in XYZ with a call/put option with a fixed maturity date. Just before the maturity, in investment committee meeting it was decided to transfer this security from

scheme ABC to other 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 Trustee 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 INR 46, 00,000 to ABC scheme investor which was to be made good by ABC scheme Investment manager.