



Financial Planners Professional Liability

Financial planning firms operate in a sometimes volatile investment environment and under increasing regulatory scrutiny. AIG Australia offers deep understanding of the industry, combined with tailored insurance coverage to provide you with peace of mind.

Key Exposures

- Misleading and deceptive conduct
- Inappropriate financial advice or mis-profiling of clients
- Failing to recommend adequate levels of insurance or to effect insurance
- Inappropriate estate planning resulting in financial loss
- Loss of documents
- Breach of privacy
- Fraud and dishonesty of employees and authorised representatives

Covers

- Civil liability
- Misleading or deceptive conduct (including under the Trade Practices Act 1974, Corporations Act 2001, ASIC Act 2001 or similar provisions in the States' Fair Trading Acts)
- Intellectual property (including breach of copyright)
- Defamation
- Fraud or dishonesty of principals, partners, directors or employees (including theft of third party money or securities)
- Loss of documents cover up to the limit of liability
- Defence costs

Policy Features

- Flexible definition of approved product which includes:
 - products approved in writing by the policyholder's





- investment committee; and
- products not on the approved product list, but which are the subject of written guidelines provided by the policyholder
- Broad definition of insured includes:
 - temporary contract labour
 - self-employed persons
 - labour-only sub-contractors under the direction and direct supervision of the policyholder
- Automatic cover for subsidiaries
- Worldwide territorial cover
- Continuity of cover

Standard Extensions

- Findings and awards by external dispute resolution bodies (no aggregate sub-limit)
- Court attendance costs
- 30 day extended reporting period
- Property cover for lost documents – no breach of duty required (sublimited to \$250,000)
- Previous business name
- Quasi judicial costs (sublimited to \$100,000)
- BusinessGuard Advisory Panel (providing limited free advice on matters which are relevant to the cover provided under this policy)

Optional Extensions

- Authorised representatives (automatic cover for past and present)
- Margin lending and gearing
- Mortgage services
- Non-life insurance
- Life insurance
- Employment practices liability (covering claims by employees made against the policyholder, or any principal, partner, director or employee)
- Fidelity (covering financial loss of the policyholder as a result of fraudulent or dishonest acts committed by an employee)

Key Exclusions

- Beneficial interest
- Failure to disclose conflicts/commissions
- Investment fluctuations
- Solicitors mortgage funds
- Stockbroking services

Limits

- Primary
- Up to \$25 million capacity

Underwriting Information

- AIG Australia professional liability proposal form
- A copy of a Financial Services Guide
- A copy of a Statement of Advice
- A copy of the current Approved Product List
- A copy of the complaints register
- Full claims experience, including full details of all paid and outstanding matters
- Start up operations will require resumés for all principals, partners or directors and details of their past claims experience

Target Market

- Australian Financial Services License Holders
- Any firm that can demonstrate a positive approach to risk management

AIG Australia

American International Group, Inc. (AIG), world leaders in insurance and financial services, is the leading international insurance organisation with operations in more than 130 countries and jurisdictions. AIG companies serve commercial, institutional and individual customers through the most extensive worldwide property-casualty and life insurance networks of any insurer. In addition, AIG companies are leading providers of retirement services, financial services and asset management around the world. AIG's common stock is listed in the U.S. on the New York Stock Exchange as well as the stock exchanges in Ireland and Tokyo.



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AIG Australia has a proven track record of providing tailored insurance solutions for the financial planning profession and, according to Money Management, is the leading professional liability insurer of financial planners in Australia.*

ASIC's Regulatory Guide 126 (RG126) formalises the insurance requirements for financial planners. This guide is a summary of how AIG addresses, and intends to address, current and future requirements of RG126 with our Financial Planners Professional Liability Insurance.

RG 126.77 Implementation Period

RG126 is to be introduced in two stages. The first stage came into effect from 1 January 2008 for new Australian Financial Services Licence holders and for existing Australian Financial Services Licence holders the regulation comes into effect from 1 July 2008.

Regulation / Minimum Requirement	Our Response
Authorised insurers From 1 July 2008 insurance must be provided by an insurer regulated by APRA or operating under an exemption under the Insurance Act 1973 (Cth).	American Home Assurance Company, trading as AIG Australia, is an APRA regulated insurer and has been providing insurance in Australia since 1957.
Amount of cover A minimum of \$2 million with one automatic reinstatement and an amount approximately equal to revenue up to a maximum limit of \$20 million.	AIG can provide a Limit of Liability of up to \$25 million plus one automatic reinstatement (i.e. \$25 million any one Claim and \$50 million in the annual aggregate).
Legal / defence costs are to be in addition to the minimum limit or sufficiently increased to take into account these costs.	AIG's approach is to offer Limit of Liability options, on an inclusive of Defence Costs basis, to suit individual needs and requirements.
Excess/deductibles An amount that the insured can confidently sustain as an uninsured loss.	AIG is able to offer a range of Excess / Deductible options to suit individual needs and requirements.
Scope of cover The policy must indemnify the licensee against liability for loss suffered by retail clients because of breaches of Chapter 7 of the Corporations Act by the licensee or its representatives	AIG provides cover for economic loss suffered by retail clients as a direct result of a breach of Chapter 7 of the Corporations Act by the licensee and its Authorised Representatives, provided that the breach is not intentional or criminal, and that the Loss does not arise from anti-competitive conduct. Some coverage for breaches that arise from fraudulent and dishonest conduct is also provided, as explained in more detail below.
EDR scheme awards	AIG provides an "any one Claim" sub-limit for all FICS matters with no aggregate sub-limit.
Fraud or dishonesty by directors, employees and other representatives of the licensee.	AIG provides cover for the fraudulent or dishonest conduct of Employees and Authorised Representatives that results in a liability to the Policyholder provided that such conduct is not condoned by the Policyholder. The policy can be extended to provide the same cover to directors. No cover is provided to the perpetrator of the fraudulent or dishonest act.
Terms & exclusions The policy must not have the effect of excluding:	AIG does not exclude EDR schemes.
i) EDR schemes;	
ii) loss caused by conduct of representatives generally;	AIG does not exclude the normal conduct of Employees or Authorised Representatives of the licensee. However, like most insurers, we exclude cover for deliberate, reckless, or criminal acts.
iii) fraud and dishonesty by directors, employees and other representatives;	AIG, like most insurers, has a general exclusion for criminal, fraudulent and dishonest conduct, but this does not apply to fraudulent or dishonest conduct of Employees and Authorised Representatives that results in liability to the Policyholder. The policy can be extended to provide the same cover to directors.
iv) claims arising from incidents that have been notified to ASIC.	AIG does not exclude claims arising from licence breach notices to ASIC. However, AIG's consent (which will not be unreasonably withheld) is required prior to any settlement.

* Money Management, "Tailoring the right approach", Lim, J., 28 June 2007



Licensees must have retroactive cover from the earlier of: <ul style="list-style-type: none"> the retroactive date specified in the immediately previous PI insurance policy; or the commencement date of the first PI insurance policy in the series of continuous policies. 	AIG provides a retroactive date equal to the retroactive date of the expiring policy. Where the licensee has not purchased insurance previously, or had a gap in cover, the retroactive date will be the same as the inception date of the policy.
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RG 126.73 Final Coverage Requirements

The second stage of coverage requirements comes into effect from 1 January 2010 for all Australian Financial Services Licence holders. It includes the above requirements plus the additional coverage listed below:

Regulation / Minimum Requirement	Our Response
Exclusions The policy must not have the effect of excluding claims for misrepresentations about services.	AIG provides cover for misleading and deceptive conduct under the Corporations Act 2001 (Cth), Australian Securities and Investments Commission Act 2001 (Cth), Trade Practices Act 1974 (Cth) and related State Fair Trading Acts.
Persons covered The policy must cover the acts of the licensee and all of its representatives.	AIG provides a comprehensive policy that covers the licensee and all past and present Authorised Representatives of the Policyholder and its Subsidiaries.
Fraud/dishonesty/infidelity Fraud / dishonesty / infidelity by the directors, employees and other representatives of the licensee.	AIG can, by endorsement, extend its policy to cover fraud / dishonesty / infidelity by partners, principals, and directors of the Policyholder. AIG's policy already covers fraud/dishonesty by Employees and Authorised Representatives.
Approved products list The policy must be able to cover items not on an approved product list for representatives who act outside the approved products list in legitimate switching cases where a client is being switched from one fund or product to another.	AIG's policy has a broad definition of Approved Products that includes products that have been approved in writing by the Policyholder's investment committee OR for which for which the Policyholder has provided written guidelines in respect of advice or services. This is intended to cover situations where a new client seeks advice with respect to their existing portfolio of investments, not all of which may be on the Policyholder's Approved Products list.
"Run-off" cover The policy must have run-off cover for as long a period as is reasonably practicable, but at least for one year.	AIG currently provides run-off cover on an annually renewable basis for as long as the client would like to purchase the policy.

In conclusion, AIG remains committed to working with the profession, its representatives and its regulator, to continue to offer market leading insurance solutions that address the needs of financial planners now and in the future.



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