Financial Institutions

PI CAT II

Your peace of mind in client interactions

In order to provide financial services, both trading entities and individuals involved must meet rigorous requirements set by the Financial Sector Conduct Authority (FSCA). Each license application presents unique challenges in this regard. Given the demanding and evolving legislative environment within which brokers operate, it becomes vital to safeguard them against potential claims that clients may initiate for specific reasons.

As per Board Notice 123 of 2009 of the Financial Advisory and Intermediary Services Act (FAIS), Financial Service Providers (FSPs) are mandated to maintain an adequate level of Professional Indemnity (PI) insurance. It is the responsibility of each FSP to assess the risks associated with their particular business and professional services, determining the necessary level of PI insurance coverage above the minimum requirements set by the Financial Sector Conduct Authority (FSCA). For Category II FSPs who do not handle client funds, the minimum requirement is R1 000 000 of Professional Indemnity Insurance. For Category II FSPs that handle client funds, a minimum coverage of R5 000 000 of Professional Indemnity (PI) and Fidelity Guarantee Insurance is mandatory.

From the perspective of the client, PI cover serves to protect the concerned FSP exclusively. However, PI insurance offers a certain degree of assurance by mitigating the risk of insufficient assets to meet a successful claim against the insured FSP arising from negligent performance or breach of mandated duty.

Safeguard your business and ensure compliance with regulatory obligations by obtaining the appropriate level of PI insurance. Protect your clients and mitigate potential risks, maintaining the highest standards of professionalism in the challenging world of financial services.

You built your business, now protect it

Financial Protection from Catastrophic Lawsuits

Financial losses from lawsuits can interrupt or threaten the sustainability of the insured's business. Professional Indemnity insurance provides a financial protection shield to meet the legal repercussions against claims from third parties. Leppard will support the insured and cover all costs as provided by the policy. Costs could include defence costs, such as legal fees and litigation costs.

Increases Credibility

Professional Indemnity insurance enhances the insured's goodwill and brand image. As a professional, they are accountable and owe a duty of care to the service they provide to their clients. By having a professional indemnity insurance policy this provides protection to the insured.

Business Growth

Professional Indemnity is a prerequisite for an FSP applying for a CAT II licence in accordance with the FSCA requirements. For Category II FSPs who do not handle client funds, the minimum requirement is R1,000,000 of Professional Indemnity Insurance. For Category II FSPs that handle client funds, a minimum coverage of R5,000,000 of Professional Indemnity and Fidelity Guarantee Insurance is mandatory.

Peace of Mind

Clients would want to use a trusted Cat II FSP who is both suitably qualified and has the adequate insurance cover in place. This also provides peace of mind and greater confidence when providing services and confidence which will yield greater results.

Business Continuity

Claims arising due to negligent performance or breach of duty may cause huge financial losses and interruptions in the insured's business operations. Professional Indemnity insurance allows an insured to continue their daily operations whilst insurers handle the intricacies of the claim.

LEPPARD

Your Protection
Basic Structure

1. The limit of indemnity “LOI” includes cover for damages and investigation / legal costs in defending any damages and/or claims from a third party.

2. Leppard can provide the following limits:

   - R5m Professional Indemnity cover as a minimum
   - Maximum of R50m Professional Indemnity cover

3. LOI are provided on an Aggregate basis only.

4. The deductible applies to Third Party Compensation only and does not apply to Costs and Expenses for each claim. This minimum is R250 000

5. Premiums are based on each unique risk profile, claims history and funds under management to name a few.

Your peace of mind in client interactions

Core Covers

- Negligent act, error, omission, misrepresentation and misstatement committed or alleged to have been committed
- Unintentional breach of confidentiality, trust, authority and privacy committed or alleged to have been committed
- Defamation
- Dishonest, fraudulent, criminal act or omission committed by an employee provided that no indemnity shall be afforded to anyone committing or condoning such a dishonest, fraudulent, malicious or criminal act or omission
- Accidental and physical destruction, loss, mislaying of or damage, or theft of Third Party Money and Property

Extensions

- Cyber Third Party Liability - maximum limit R2m
- Fidelity Insurance for Third Party Money and Property - maximum limit R5m
- Fidelity Insurance for Your Money and Property - limit R250 000
- Loss of Documents - limit R500 000
- Regulatory Enquiry Expenses - limit R250 000
- Statutory Defence Costs - limit R500 000

Some Exclusions

Directors and Officers Liability	Computer Virus	Contractual	Crypto Activities
Deliberate Act	Financial Performance	Fines and Penalties	FSP Licence
Insolvency	Investments	Platform	Previous Claims
Related Companies	Sanctions	Systemic Occurrence	USA and Canada
War, Nuclear, Asbestos			

LEPPARD

Compliance

- Statutory requirements
- Material changes
- Admission
- Cancellation Rights
- Multiple Claims
- Rights of Recovery
- Risk Management Protocols
- Cyber Risk Protocols
- Money and Property Risk Protocols

Target Audience

Who we insure:

CAT II FSP's

Who and what we don’t insure:

CAT IIA, CAT III and CAT IV. Crypto FSP's

Risk Management Tools

- Progressive interventions need to be found to stem the litigation tide. This is a complex matter but better risk management strategies and renewed interventions, such as defined standards and quality of advice through timeous communication and continuous education.

- Financial service providers can limit their liability by creating clear and detailed contractual mandates with clients. These mandates outline the specific responsibilities of the providers and the available options for legal action in case of negative outcomes.

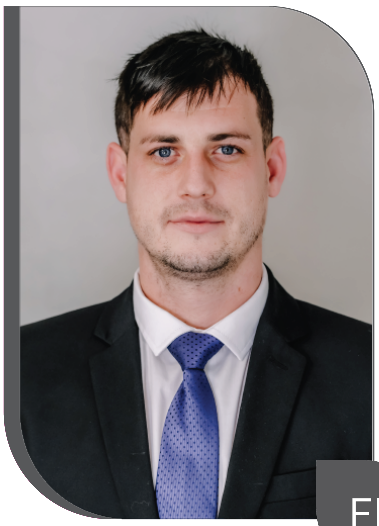
- Make sure that accurate and eligible notes are taken and that all records are stored safely and securely.

Select Leppard for Superior Service

At Leppard we can provide a comprehensive product to assist with both regulatory requirements and risk management with the development of this bespoke wording for Cat II FSP's

With over 30 years of excellence and experience, we never compromise our quality and our focus is on delivering solutions.

Our expert is ready to serve you



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