



\$50M KEY PERSON DISABILITY PLACEMENT CAPITAL MANAGEMENT FIRM

Client

A Southern California based asset management and investment firm managing a portfolio of \$17 billion.

Situation

The CEO wears many important hats—CEO, President, Chief Investment Officer, Market Strategist—as well as overseeing all the firm’s U.S. equity and hedge fund strategies. In the past 10 years, the firm’s assets under management have risen from \$3.5 billion to \$17 billion dollars, thus elevating the overall importance of the key person’s responsibilities.

Assessment

Chief Investment Officers in the hedge fund universe are unique human capital assets. Investors invest in a particular fund based largely on performance, which is attributed to the CEO. In the event of a serious disability, cash would be needed to retrain key staff as well as manage the winding down of the fund if a permanent disability were to strike. With the obligation of succession planning resting on the shoulders of the Board of Directors, the Board saw a need to initiate additional coverage in the event the CEO was no longer able to perform his duties. The Board’s directive stipulated that an accelerated divestiture clause be built into their investment agreements, which would allow investors to accelerate the rate at which investors can pull their funds should the fund manager become incapacitated.

Solution

Exceptional Risk Advisors designed a \$50 million key-person disability insurance policy, payable to the company in a lump sum after 12 months, should the CEO be unable to perform his duties.

Result

With a reasonable level of key person disability insurance protection now in place, an additional succession planning strategy was created to manage the associated risks involved if the CIO were seriously disabled. A number of sub-managers were also identified as critical and additional protection was likewise sought for four additional investment managers.