



## 1. What does the Insurance Policy Cover?

The Insurance Policy covers all the risks highlighted under the new Rule 27A of the Rules and Regulations of the Securities and Exchange Commission (SEC Rules). This Policy Covers Employees and Directors' fraudulent activities, professional negligence, misconduct, errors and omissions risks arising out of the Dealing Member Firm's duties/activities.

Thus, although these covers are summarized in three sections, they form the basis of cover for all the risks listed under Rule 27A of the SEC Rules and suffice as apt coverage to fulfil the requirements of the rule. The coverage of the Insurance Policy includes but is not limited to the following:

### ***(1) Fidelity Guarantee***

This protects a Dealing Member against a loss sustained by reason of any act of fraudulent conversion/diversion, forgery, embezzlement, and dishonesty in respect of monies, securities, goods or properties belonging to the Dealing Member Firm or held in trust for an investor for which they are responsible for. The loss covered should be detected during the continuance of the Policy or within 12 calendar months of the expiry of the Policy and in the case of death, dismissal or retirement of the employee within 12 calendar months of such death or dismissal or retirement whichever is earlier.

### ***(2) Professional Indemnity***

This is a form of protection for the Dealing Member Firm against legal liabilities or claims that may arise by reason of any neglect, error or omission committed in a professional capacity by the insured, its, Authorized Clerks, Dealers, Brokers, Executors, Administrators or Assignees or any other person who is in the Dealing Member firm's employment. However, the act leading to the claim must have occurred within the period stated in the policy.

### ***(3) Directors & Officers' Liability***

This protects directors, officers (includes employees acting in a managerial or supervisory role) and other employees (where such an employee is named in and served as a co-defendant in civil proceedings) of Dealing Member Firms against claims arising from their decisions and actions taken in their capacity as or solely by reason of their status as directors or officers or employees of the Dealing Member Firm. The Directors' and Officers' Liability Insurance Policy will pay on behalf of the Director(s), Officers and Senior Managers, their legal costs, expenses and any damages awarded against them and also reimburse the Dealing Member Firm for all payments which it makes on behalf of any directors or officers or employees in respect of the claims described above and in respect of formal investigative proceedings into the wrongful actions of the directors, officers and said employees.



#### ***(4) Legal liability, or Other Third-Party Claim;***

There are legal liabilities that may arise against a Dealing Member Firm from any claim or claims for breach of these duties which may be made against them during the period of cover. This Policy covers the legal charges and expenses required to prosecute such claims from Professional Indemnity and Directors & Officers' liability policies.

It will also cover the costs of legally representing the insured's business, related expenses, and any damages the business is found to owe in relation to a valid claim.

#### ***(5) Other Risks Associated with its Products and Services***

There are some risks associated with the products & services of a Dealing Member Firm. An example of such a risk is the risk of data breaches, where a leak of client's data that is in the possession of the Dealing Member Firm could result in legal action being taken against the firm. There is also the risk of administrative error, which could mean an unintentional failure by the Dealing Member Firm to effect a specific investment in accordance with the prior instructions of the firm's client. These risks are covered by the policy.

## **2. What is the Difference Between the Pricing Options?**

There are three (3) pricing options available. In the instance of a Broker/Dealer with the minimum capital requirement of ₦300,000,000 (Three Hundred Million Naira) find below an illustration of the different options:

- Option 1 – A Broker/Dealer with a minimum capital requirement of ₦300,000,000 (Three Hundred Million Naira) will have a limit of liability for any one occurrence of ₦60,000,000 (Sixty Million Naira) under each of the different sections (Fidelity Guarantee, Directors' and officers' Liability, and Professional Indemnity) so that the aggregate limit for any one period of insurance is ₦180million for the three sections combined.
- Option 2 – The aggregate limit of any one period of insurance for the three sections combined (Fidelity Guarantee, Directors' and officers' Liability, and Professional Indemnity) is ₦60,000,000 (Sixty Million Naira) so if there is a claim of ₦60,000,000 (Sixty Million Naira) under the Fidelity Guarantee, the policy coverage is exhausted and would have to be reinstated by paying additional premium.
- Option 3 – The aggregate limit of any one period of insurance for the three sections combined (Fidelity Guarantee, Directors' and officers' Liability, and Professional Indemnity) is ₦60million. However, the maximum amount payable in respect of any one claim is ₦20,000,000 (Twenty Million Naira). So if there is a claim of ₦20,000,000 (Twenty Million Naira) under the Fidelity Guarantee, the client can still make two more claims of ₦20,000,000 (Twenty Million Naira) in the insurance year.



For details of the pricing options, please refer to the pricing summary document that had earlier been shared with all Dealing Member Firms and which is available

**3. Do I Need to Give you the Names of the Employees and Directors?**

No, it is not compulsory. The Policy is issued on a blanket basis, so Dealing Members are not required to provide the names of their employees and directors. However, in the event of a claim, the firms may be asked to provide these names.

**4. Why is AXA Mansard the only Underwriter on this Policy?**

AXA Mansard was selected through a multi stage selection process (which involved selection by committee of the management of The Exchange followed by the IPF Board) that commenced with a Request for Proposal (RFP) that was sent to several insurance companies. AXA Mansard Insurance Plc. was successful at the end of the selection process. AXA Mansard showed an understanding of the requirements, the requisite resources needed to deliver on the expected terms as well as a willingness to work with The Exchange and other stakeholders to, amongst other things, amend its template policy documents to suit the requirements of the amended SEC Rule and The Exchange.

**5. Can I Obtain a Further Discount?**

Unfortunately, we will be unable to grant any further discount requests as this has been factored into the final pricing to make the policy affordable to Dealing Member Firms.

**6. If my firm has an existing Fidelity Guarantee Policy, can we take only Professional Indemnity and Directors & Officers' Liability and vice versa?**

The Policy is a combined Policy and the Terms & Conditions have been carefully agreed upon with all relevant stakeholders. It would not be possible to take the Policy in parts as that would defeat its intended purpose. As Policy cancellation is allowed in insurance, you may consider cancelling the existing policies and taking up the uniform Policy proposed by the amended SEC Rule.

**7. What are the Required Documents for the On boarding Process?**

- Completed AXA Mansard Insurance Proposal Form
- Copy of certificate of Incorporation of the Dealing Member Firm
- Evidence of payment for the preferred option (Account number: 0000901847 (GTB) Account name: AXA Mansard Insurance)

**8. In the process of making payment, what happens when the bank requests for the Policy Number of the Firm, although this is a new policy?**



You will be required to send your completed AXA Mansard Insurance Proposal Form to a dedicated mailing address and we will generate a Policy number with the information on the form.

**9. What is the dedicated mailing address?**

[dealingmembersprotection@axamansard.com](mailto:dealingmembersprotection@axamansard.com)

**10. What happens if my shareholders' fund is more than the minimum capital requirement?**

For every pricing option that is contained in the pricing summary document, there is a premium rate. For a situation where your shareholders' fund is more than the minimum capital requirement, you will have to apply the applicable rate for your preferred option to the limit of liability to get the premium payable.

**11. How do I determine the limit of liability?**

The limit of liability is a percentage of your shareholders' fund; which according to the Securities and Exchange Commission (SEC) Rules and Regulations, 2013 (consolidated) should not be less than 20% of the value of your shareholders' fund or minimum paid up capital.

**12. Considering the date payment is made, will the policy be pro-rated?**

Pro-rata coverage is not acceptable by the regulators because that claims that may have occurred but are yet to be discovered from 1<sup>st</sup> January 2020 to date will be accommodated by the Policy.

**13. What is the Period of Coverage?**

According to the SEC Circular on Amendment to Rule 27 published on 30 December 2019, all coverages start on 1<sup>st</sup> January, 2020 and run for a period of one (1) year.

**14. What is the process of making a claim?**

The process of making a claim is outlined below:

1. Where any event giving rise to a claim comes to the Dealing Member Firm's knowledge, the Dealing Member Firm shall immediately take steps to stop or minimize the loss or damage and recover any missing property; give notice in writing to AXA Mansard; and give notice to the police in the event of deliberate or malicious damage.



2. The Dealing Member Firm shall within sixty (60) days deliver to AXA Mansard the following;
  - a claim in writing for particulars of account and proof of the loss or damage in physical or soft copy; and
  - A consent letter from the IPF approving for AXA Mansard to pay the claim directly to the Dealing Member Firm or to any other third party (claimant)
3. The notice of the claim by the Dealing Member Firm shall be in writing and shall be delivered personally or by fax, post or electronic mail to AXA Mansard.
4. Where the IPF is the one making a claim, a referral form would be submitted to AXA Mansard after The Exchange's verification of the claim.

However, if there are any claims that fall outside this scenario, kindly send a mail to the dedicated email address with substantiating documents to enable us treat.

#### **15. Is there any additional benefit? How does the additional benefit work?**

There are different additional benefits as stated in the Policy summary.

- Discount vouchers (up to 10%) on select insurance policies
- Basic health checks for employees of dealing members in Lagos at a specified time and date (once a year)
- Periodic tips on healthy living and security consciousness
- Trainings & Seminars: for dealing members in Lagos at a specified time and date (preferably at the general meeting of members)
- Life insurance: sum insured of NGN 500,000 for 5 employees of most compliant Dealing members' (in terms of report submission, frequency of complaints, number of lawsuits etc.) - parameters to be agreed with ASHON & NSE- this benefit is applicable to members that choose pricing scenario 1
- Free one-week Travel Insurance for select employees of most compliant Dealing members' (in terms of report submission, frequency of complaints, number of lawsuits etc.) - parameters to be agreed with ASHON & NSE – this benefit is applicable to members that choose pricing scenario 1

#### **16. Can I use my Broker on the transaction?**

Brokers are Insurance Agents, so, yes; you can use a Broker.



**17. How long will it take for a claim to be reviewed?**

Once AXA Mansard receives your claim request and all the required supporting documentation, we will begin our review. The process will take not more than ten (10) business days to complete. Payment is usually made within forty-eight (48) hours of when the executed discharge voucher is received.

**18. If I make a claim that wipes out the policy limit, how can my cover be reinstated (restored)?**

You can reinstate your Policy after a claim exhausts the policy coverage, by paying the corresponding premium that applies to your preferred option. You may reach out to AXA Mansard via the designated email address for advise on the next steps and premium payable.

**19. What is Policy Excess?**

Policy Excess is the amount that we will ask you to pay towards any claim that you may make on this Policy. This is the amount that is deducted from the total settlement that a dealing member receives from AXA Mansard in the event of a claim. The Policy excess varies with the Dealing Member Firms classification status; Dealer, Broker, & Broker/Dealer. Please refer to the Policy document for breakdown of these amounts.

**20. Can I change the details of my Insurance Policy?**

Yes, as long as you have not already filed a claim. For any changes, kindly send a mail to the [dealingmembersprotection@axamansard.com](mailto:dealingmembersprotection@axamansard.com) stating your request.

**21. What do I do in case I have an enquiry?**

Please send an email to the dedicated email address : [dealingmembersprotection@axamansard.com](mailto:dealingmembersprotection@axamansard.com) and input your data and the requested information. You will get a response within twenty-four (24) hours.

**22. Does this Policy cover all aspects of the insured's business activities and risks as provided for in the amended SEC Rule 27A?**

Yes, the Insurance Policy covers all aspects of the SEC-licensed Dealing Member's business activities and risks, as provided for in the SEC's amended rules on Insurance Product. Please refer to the Insurance Policy document to see the risks that have been covered.