



CASE STUDY

Protecting Against a Catastrophic Loss of a Key Executive

Asset Management and Investment Firm Sought Protection for Ownership and Clients

Client: A Southern California-based asset management & investment firm managing a portfolio of \$17 billion.

Situation: The CIO wears many important hats – President, Chief Investment Officer, Marketing Strategist – as well as overseeing all of the firm’s U.S. equity and hedge fund strategies. In the past 10 years, the firm’s assets under management have risen from \$2 billion to \$17 billion, thus elevating the overall importance of the key person’s responsibilities.

■ **Assessment:** CIO’s 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 CIO. In the event of a serious disability, cash would be needed to retrain key staff as well as manage the wind-down of the fund if a permanent disability or death 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 CIO was no longer able to perform his duties. The Board wanted to develop an accelerated divestiture clause built into their investment agreements that allowed investors to accelerate the rate at which they could pull their funds in the event the fund manager was incapacitated.

■ **Solution:** Bryson Financial designed a \$50 million key-person disability insurance policy, payable to the company in a lump sum after 12 months, should the CIO be unable to perform his duties. In addition, a \$50 million dollar life insurance policy was designed that would allow the individual to be insured regardless of any preexisting conditions. This solution achieved the Board’s objectives, enabling it to enact accelerated divestiture clauses into investment agreements while protecting both the investors and firm ownership.

Outcome: With key person disability and life insurance protection in place for the CIO, additional succession planning conversations were initiated and a strategy was created to manage the associated risks involved if the CIO or others were seriously disabled, or at worst died. A number of sub-managers were identified as critical and additional protection was sought on four investment managers.

■ **To Consider:** Are you protected? Do you have succession planning in place? Have you considered the impact should something catastrophic happen to your CEO or other key executive? Contact Bryson Financial to review your situation and consider options.