Cost to Insure Hedge Fund Errors and Omissions Lowest in Years But Could Rise In The Near Future Says SKCG Group

New York-based Insurance Firm SKCG Group Sees 10 – 20% Drop in Premiums for E&O, D&O Insurance Amid Increased Interest from Institutional Investors in Properly Insured Funds

White Plains, NY - February 2, 2011 – SKCG Group, an independent U.S. insurance broker with a worldwide hedge fund practice, announced today that it has observed meaningful declines in the cost of Directors and Officers (D&O) and Errors and Omissions (E&O) insurance for hedge funds. Hedge funds purchase E&O and D&O coverage to protect themselves from a myriad of liabilities including costs stemming from formal investigations and lawsuits by the SEC as well as investor lawsuits claiming mismanagement of invested funds and errors in reporting. According to SKCG Group, hedge fund managers today are paying the lowest rates in years for such coverage while institutional investors are becoming more vigilant in verifying that the funds in which they invest are properly insured. However, the industry may not be able to reap the benefits of these lower costs much longer due to the threat of increased regulatory actions.

"As recently as 2 years ago, in the aftermath of Madoff and other scandals, we saw our clients paying high premiums for coverage. Since the number of expected claims never materialized, this segment became quite profitable for insurance carriers and attracted additional new capacity to the industry. This increase in supply without a corresponding growth in the number of hedge funds led to today's premium reductions," states Thomas R. Kozera, CEO of SKCG Group.

The annual cost for E&O/D&O policies can be determined as a function of a number of factors, most notably, the size of the fund (AUM), investment strategy, performance and whether or not the fund has had any previous claims. Other factors that affect pricing are redemptions and adverse publicity.

"It is likely that further regulatory actions will be taken in the SEC's investigation of insider trading and other matters. If this happens, and we see a corresponding spike in claims, premiums are likely to increase for all funds whether or not they individually come under investigation," predicts David Parker, President of Employee Benefits at SKCG.

Richard Canter, COO of SKCG Group added "A continuing factor that drives the demand for E&O/D&O coverage is the increasing vigilance of institutional investors in verifying and requiring that the funds in which they invest are properly insured. A number of funds have contacted SKCG in recent weeks at the behest of potential investors to inquire about E&O/D&O coverage. We are recommending to our current as well as prospective hedge fund clients that if they feel the need to pursue this protection or increase the limits carried, they should consider doing so while market conditions remain favorable."

About SKCG Group

SKCG Group is one of the largest privately held insurance brokerage firms in the United States, with clients both nationally and internationally. For more than 100 years, SKCG has been structuring comprehensive, cost-effective coverage for businesses and individuals in the areas of Property and Casualty Insurance, Group Employee Benefits, Retirement Planning and Individual Product Lines. SKCG's many years of experience and cumulative knowledge give them the ability to anticipate how changes in the insurance industry will affect their clients and to advise them strategically. Each year since 1996, SKCG has been cited in the Independent Insurance Agents of America "*Best Practices Study"* as a Top Performer nationwide. SKCG has some of the best customer retention rates in the industry and represents businesses and individuals in real estate, financial services, manufacturing, retailing, entertainment, technology, non-profit organizations, import/export, law and medicine.

To learn more please visit www.skcg.com.

###

Media Contacts:

Will Thompson
(267) 221-6056
will@hedgefundpr.net

Mitch Ackles
(305) 444-9868
mitch@hedgefundpr.net