MANAGEMENT &
PROFESSIONAL RISKS

Private Equity and Venture Capital Insurance

Product Information

To be solid, insurance must be flexible.

Private Equity and Venture Capital Insurance

MPR offers a financial lines package policy to protect the assets of private equity and venture capital organisations against the risks associated with their operational environment.	
Life can be as complicated for private equity and venture capital management organisations and their managers as it is for commercial companies and their directors. Private equity and venture capital companies are also subject to the complexities of their own particular law and regulation, including the close scrutiny of Financial Conduct Agency and other regulators. The package policy is an integrated solution for private equity and venture capital management organisations and provides four important sections of cover, each with its own limit, delivering an easy to place management liability product.	
Why do your clients need Private Equity and Venture Capital insurance?	• Many aspects of operations in the private equity and venture capital sector expose organisations and their directors, their officers, and staff to civil, criminal and regulatory actions, involving potentially expensive legal costs. • Directors are jointly and severally responsible and actions taken and agreements entered into by one or more directors affect the others. • There is a risk of action by a wide range of parties, including employees, customers, members, creditors, liquidators and regulatory bodies. • The Annual Fraud Indicator puts the cost of fraud to the UK economy at £193 billion a year – that's more than £6,000 per second.
Why do your clients need D&O insurance?	• The number of potential offences continues to rise as new and existing legislation develops. A wide range of parties who might act against directors and officers include employees, shareholders, customers, creditors, liquidators, competitors and regulatory bodies. • Directors and officers have often done very little wrong, and sometimes nothing wrong at all. An average of 65% of D&O loss spend is consumed by defence costs, evidencing significant expense to fend off all kinds of accusations. • Specialist lawyers do not come cheap. Depending on the nature of the allegations, hourly rates can be many hundreds of pounds.
Why do your clients need Professional Liability insurance?	• Professional service firms owe a duty of care to third parties. This, coupled with an increased awareness of legal rights and remedies, means that protecting the assets and reputation of an organisation is vital. • However diligent an organisation, mistakes are possible and protection is required from third party claims alleging negligence or for other legal liabilities. • Even when a firm has done nothing wrong, disputes can occur and problems can quickly intensify, leading to escalating defence and settlement costs. • Professional service firms rely heavily on their reputation and a poorly handled PI claim can have a negative impact. Having the expertise and resources to assist from start to finish should not be underestimated. • Increasingly, clients of organisations are now requiring their professional service firms to carry PI insurance. Evidencing a quality product is important and may even be a marketing advantage when competing for business.

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Why do your clients need Crime insurance?	• The Annual Fraud Indicator puts the cost of fraud to the UK economy at £193 billion a year – that's more than £6,000 per second. The private sector accounts for £144 billion of this, with £8 billion disappearing to payroll fraud, and £127 billion lost to procurement fraud. • The average organisation loses approximately 6% of its total annual revenue to fraud and abuse committed by its own employees.
What does the policy cover?	A comprehensive package policy providing cover for: • Directors & Officers insurance; • Professional liability insurance; • Entity Investigation Expenses; • Crime Insurance.
What limits are available?	Your clients can choose the limits they need for each area of exposure as each section has a separate limit.
What does an underwriter like to see?	**Is there anything an underwriter wouldn't insure?**

• Well established organisations with stable, consistent and experienced management.
• Comprehensive and robust risk management strategies.
• UK and Ireland based organisations.
• Organisations with good checks and controls in place, such as:
- Compliance;
- Investment controls;
- Due diligence procedures.
	• There will always be well managed organisations in areas with higher hazard characteristics, so much will depend on the risk management framework, but historically some of the more challenging themes have included:
	  • Unusual or high risk investment strategies;
	  • A high proportion of cross border or overseas exposures;
	  • Very large risks.

Why choose MPR?	
✓ Deep experience over many years in all the products we underwrite. ✓ Simple and clearly stated policy language with the removal of ambiguity. ✓ A straightforward, broker focussed, technical and service based proposition. ✓ Strong financial rating.	

Key features

Feature	**Benefit**
Comprehensive and constantly improving cover.	Private equity and venture capital policy sophistication has developed significantly in recent years and has strengthened the position of the buyer in the event of a claim or investigation. The result is policy language which is clear and which evolves to accommodate the changing landscape and exposures faced by organisations and their managers.
Worldwide coverage, including the USA.	For some claims, it may not matter where the work was done, the exposure can be global – our policy is not restricted by geographical or jurisdictional cover, regardless of where the work is carried out or where the claim is made.
Mitigation costs.	Quite often, a speedy response and sensible resolution can prevent a problem from escalating into a costly claim.

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	Having mitigation costs allows the insurer to work quickly in a time of need to ensure that the situation is rectified with minimal damage.

Also available from MPR:

MPR has a wide product portfolio that can address a range of management risks for all types of organisation, including:

- Management risks package insurance for private companies, LLPs and Third Sector Organisations;
- Employment practices insurance;
- Pension scheme insurance and pension wind up insurance;
- Cyber cover;

What can go wrong?

The background.	**What happened.**
A portfolio company with its own board of directors, included a private equity firm partner. The company became insolvent and was taken over by a liquidator in order to dispose of its assets. During this process the liquidator discovered issues with the financial reporting, believing reports had been falsified to conceal the true financial position.	The liquidator sued the board of the portfolio company for fraudulent misrepresentation.
A venture capital firm invested in two different portfolio companies who were competitors in the same industry sector. Over time, one company consistently outperformed the other.	When the more successful portfolio company was sold for a substantial profit, the management of the remaining portfolio company issued proceedings against the venture capitalist and its representative board director. The allegations were of mismanagement, breach of confidentiality and intellectual property breaches.
Following a successful seed investment in a portfolio company, a venture capital fund sold the asset. Post sale, the acquirers raised concerns about the true financial position of the portfolio company.	The acquirer sued all previous directors of the portfolio company (including the bord representative of the venture capitalist) and the venture capital fund itself. The claim was for misrepresentation of the financial position during the sale/purchase process and several million pounds was sought to rectify the position.

Contact us

For more information or to obtain a quote please call your local underwriting contact. For full details on MPR, visit www.mprunderwriting.com

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