



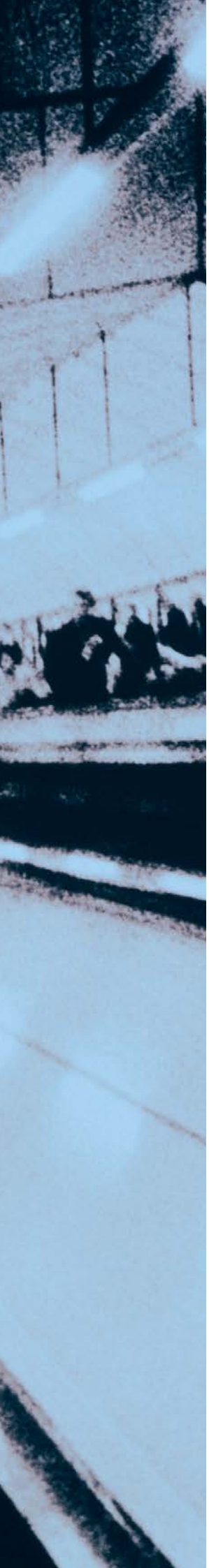
Complex Exposures, A Boutique Solution

CorporateGuard – PEVC Protector





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Complex exposures

Private Equity and Venture Capital firms are involved in an extended business process, stretching from the creation of an investment idea through to the fulfilment of its financial potential. The activities that can be involved in an investment are diverse, and the interests of different stakeholders can be complex.

These special attributes of the Private Equity and Venture Capital sector offer a broad potential for dispute, and can expose personal wealth and assets. Outperforming funds and high returns in the past may have masked this exposure but current financial conditions are less forgiving and more actions by investors, regulators and portfolio companies may be anticipated in an environment that is focused increasingly on corporate governance, due diligence and regulation.

New boutique solution

AIG has been the insurer of some of the largest Private Equity and Venture Capital organisations for many years. Now we've revisited our boutique policy to make the cover wider and to meet both existing and new threats in the changing economic and regulatory environment.

Our new policy includes both Professional Indemnity and Directors and Officers liability. Blending these exposures together, in one policy, removes possible gaps in cover and unnecessary exposure for both the company and individual directors and officers. In addition, we've simplified the policy wording and structure and made it easier to understand.

With the average European deal value already at its highest level since 2007 in 2015 and three £1 billion-plus deals in the UK completed, it can safely be said that big deals are well and truly back. Increasing activity in today's more demanding environment makes it prudent to check that current protection is still market leading and meets business and personal exposures satisfactorily.

Source: Centre for Management Buyout Research (CMBOR), September 2015.



Insured v Insured and outside directorships

The Private Equity and Venture Capital business models involve significant interaction with investors and portfolio companies at a board and senior management level. Failure to exercise due diligence, to act within the scope of the authority conferred or a breach of fiduciary duties can result in unlimited personal liability and place an individual’s own personal wealth at risk from a range of potential claimants.

Being sued by a company that a director or officer has worked for can be an unpleasant experience. The claims are frequently acrimonious and can involve significant defence costs. Our policy protects against insured v insured claims in different ways, depending on whether the claim is for a management or outside director liability:

Non-indemnifiable management liability, excluding claims against outside entity directors	up to the full Limit of Liability
Indemnifiable management liability, including outside entity directors	up to the full Limit of Liability
Outside directorship liability	up to the full Limit of Liability
Outside directorship run-off liability	up to a separate full Limit of Liability

Investigation costs

Directors and officers can be subject to UK and international regulatory authorities like the Financial Services Authority, the Serious Fraud Office, the US Department of Justice and the Securities and Exchange Commission.

The scope and number of investigations has increased substantially since the financial crisis and the size of fines continues to grow, fuelled by more robust regulation and the promise of more lenient treatment in cases of self-reporting. As the impact of regulatory activity increases, so does the likelihood of shareholders pursuing securities or derivative suits and the likely incidence of insured v insured claims.

Recognising the increased exposure to investigations our policy offers full limits cover for investigation costs and a sub-limit for regulatory crisis events. The latter addresses the need to cover fees, costs and expenses associated with on-site raids, public announcements, or the production of documents after formal notice by an official body.



Self-reporting expenses

If an insured person is the subject of a self-report procedure, or required to attend an enquiry, they are likely to need legal advice. Our policy will pay up to the sub-limit specified for necessary fees, costs and other expenses associated with such legal advisers.

Representations and warranties defence costs

We've introduced new, market-leading cover where a Private Equity or Venture Capital firm is required to provide warranties in respect of the sale of a portfolio company. If there's a claim for an alleged breach of warranty, our policy will pay the defence costs of the fund or holding company up to an agreed limit.

Fund run-off

Our policy provides a separate limit of liability for claims that occur as a result of the actions of a director of a fund that has ceased trading and been placed into liquidation before or during the policy period - provided that it has been designated as a fund in the policy. Such funds must be private entities and the company must have management control prior to the fund run-off cover commencing.

Responding to a crisis

In a crisis with the potential to cause imminent damage to the reputation or business of a company, directors and officers need to act fast and to have access to specialist expertise that may not be available in-house.

Sudden loss of a key person, a cyber attack, bankruptcy of a portfolio company, an investor failing to meet a capital call, money laundering charges and other defined crises have the potential to severely damage a company. Our policy gives access to specialists for sensitive and complex crisis management services and pays up to the agreed sub limit of the policy towards the costs incurred.

Protection for non-executive directors

Attracting and retaining non-executive directors continues to be a priority for companies as independence and diversity of boards remains a focus of regulators in the UK and abroad. Cover for non-executive directors is included in our policy, up to the full policy limit.

Run-off protection for retired directors

Retired directors and officers, including retired non-executive and outside entity directors, need to know they have continuing protection. Our policy provides automatic run-off cover for the 72 months after a policy is not renewed or replaced - provided a new arrangement does not provide cover for them.

Expert and imaginative claims capability

If a claim is made, clients need to know they have people on their side with the knowledge and expertise to deliver the protection they purchased. AIG prides itself on the skills and expertise of its claims team - one of the most experienced D&O and Professional Indemnity claims teams in the industry.

A claim can be a difficult and lengthy experience for a Private Equity or Venture Capital firm and a close relationship with their insurer is essential to defend their interests. Firms need regular updates, reviews and consultations as their claim progresses - so they and their brokers understand exactly what's going on. That way there are no surprises - important for clients with large policy excesses.

When we receive a claim notification we'll allocate an individual handler - important as claims can run for several years and require continuity. And the accessibility of our claims teams in London and Manchester allows clients to meet their claims manager to understand how claims are going to be dealt with and our claims teams to understand what's important to our clients (ie the importance of any business relationships with claimants). The more a claims team knows about a clients' business, the better the service they can provide.

Global claims presence

- Worldwide teams handling claims through our local offices
- Reduced claims payment cycle using our 'ProActive Claims Team' process
- Nearly all local policies issued through our 78 offices worldwide





About AIG

AIG is a world leading property-casualty and general insurance organisation serving more than 40 million clients in over 160 countries and jurisdictions. With a 90 year history, one of the insurance industry's most extensive ranges of products and services, claims handling expertise and excellent financial strength AIG enables its commercial and personal clients to address the risks that face them with confidence.

Our values

We see ourselves as enterprising but measured, delivering insurance solutions that are effective as well as innovative, and listening carefully and working transparently with our business partners and clients. At the heart of everything we do is an unshakeable commitment to fairness and respect.

We meet client needs with confidence because we're driven by a long history of industry leadership and expertise.

For more information, including links to sample policy wordings, please visit the CorporateGuard - Private Equity and Venture Capital Protector pages on www.aig.co.uk/financialinstitutions.

www.aig.co.uk

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