

*General Partnership Liability /
Investment Management Insurance -
101*

GPL / IMI 101

Insured Entities: Management & Fund Entities (Not Portfolio Companies)

What is Covered: Defense Costs and Settlements / Judgements arising from a Claim

Lines of Coverage:

- **Directors & Officers Liability (D&O)** addresses claims made against individual directors & officers or the entity for mismanagement, breach of fiduciary duty, or other claims made against the individuals in their capacity as such. D&O coverage will reimburse the entity for its indemnification obligation, individual Ds & Os for non-indemnified loss, and the entity for its own direct liability
- **Fund Liability & Investment Management E&O** addresses Claims brought by Limited Partners, regulatory authorities, other third parties, etc. against the Insured alleging errors & omissions committed in the performance of investment management services, mismanagement of a fund/SPV/investment vehicle, or misleading statements made in fund offering documents. Coverage also extends to Claims associated with the investing, financing, purchase, merger or sale of any interest in a Portfolio Company.
- **Outside Directorship Liability (ODL)** addresses D&O Claims made against appointees to outside Portfolio Company boards. This ODL coverage is excess of any indemnification provided by the Portfolio Company and any D&O coverage they carry

Optional Coverages

- **Employment Practices Liability (EPL)** means Claims made against the Insured alleging employment-related wrongful conduct such as harassment, wrongful termination and discrimination.
- **Fiduciary Liability** means Claims made against the Insured in conjunction with the sponsorship of employee benefit plans, including claims made under ERISA and claims for errors or omissions in the administration of employee benefit plans.
- **Cyber/Network Security** addresses 1st and 3rd party loss arising out of a data breach or privacy event:
 - 1st Party loss: Costs incurred by the Insured to notify affected individuals, legal costs, costs to hire a forensics consultant, public relations costs, and other costs incurred by the Insured to respond to a breach.
 - 3rd Party loss: Costs to defend and amounts included in settlements/judgments arising out of resulting privacy litigation – civil litigation, consumer class action litigation, and regulatory investigations/proceedings.
- **Crime** addresses loss of funds in the care/custody/control of the Insured caused by employee theft, forgery/alteration, funds transfer fraud, computer fraud, social engineering fraud, and other financial crimes.

Common Questions

Who typically carries GPL/IMI?

- Private equity firms, hedge funds, real estate investment firms, venture capital firms, and other investment managers

What does GPL/IMI coverage typically cost?

- Between \$10k-\$20k per million of limit
- Addition of EPL, Fiduciary, Cyber or Crime will be additional

What is needed to approach insurers*?

- Application
- Fund offering docs/PPM
- Fund financial statements
- Letters to LPs / Communications with investors
- Schedule of outside board positions

Who are the major insurers for this type of coverage?

- Chubb, Travelers, C/N/A, XL, Axis, Zurich, AIG, Sompo, HCC, Hartford, Great American, Berkley, and Starr, among others, plus numerous Lloyds of London syndicates.

**Additional underwriting may be required*

Claim Trends

REGULATORY AND INVESTOR CLAIM DRIVERS	PORTFOLIO COMPANY CLAIM DRIVERS	COMMON GPL COVERAGE ISSUES
<ul style="list-style-type: none">• Security law violations and breach of fiduciary duty claims• Corporate governance issues• Disclosure related suits• Misleading performance and marketing materials• Mismanagement of the Funds• Inadequate due diligence• Inaccurate allocation of fees and expenses• Improper allocation of investment opportunities• Use of material nonpublic information• Failure to disclose conflicts of interest• Cyber-related misconduct• Deficiencies in code of ethics• ESG strategies• Valuation methodologies• LPA and Investment guideline violations• Regulatory violations – FCPA, AML, OFAC, ERISA, OFAC, Investment Advisors Act etc.• SPAC and de-spac transaction related litigation• Employment practices violations	<ul style="list-style-type: none">• Bankruptcy and creditor claims• Transaction risks, including recapitalizations claims• Shareholder and founder claims• Operational risks, including employee and customer claims• Accusations that the asset manager has either neglected or mismanaged the portfolio company	<ul style="list-style-type: none">• Disharmony between GPL policy and portfolio company's D&O policy.• Interrelated claims issues• Late reporting• "Uninsurable" loss, like disgorgement, restitution and penalties.• Contract exclusions contains insufficient exceptions that cause unexpected denials.

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