



## LIABILITY PROTECTION IS YOUR BEST INVESTMENT

Private investment firms are the fundamental source of capital for today's entrepreneurs, innovators and start-ups.

Hiscox Private Investment Fund Portfolio offers firms the custom protection they need to address today's risk landscape, where they are subject to greater scrutiny, complex regulation and an increasingly litigious investment environment.

### BENEFITS FOR YOUR CLIENT

- Underwriting flexibility with expertise in small to mid-sized funds
- Seasoned underwriting team with 'alternative investment' industry experience
- Complimentary risk management services
- Policy customization to best meet your clients' needs
- Streamlined underwriting with tailor-made supplemental applications for specific classes.
- Written through Hiscox's wholly-owned syndicate at Lloyd's of London. A.M. Best rating of A (Excellent)\*

## APPETITE

- \$5m maximum line available primary or excess, with focus on small- to mid-sized funds.
- Manuscript policy endorsements available.
- Targeting firms with less than \$1bn in assets under management (AUM) on a primary basis and up to \$10bn in AUM on an excess basis.

## COVERAGE

With a Hiscox Private Investment Fund Portfolio policy, clients get a single policy for:

- management liability
- professional liability
- outside positions liability.

Optional coverage enhancements:

- employment practices liability
- fiduciary liability
- employed lawyers liability
- enhanced endorsements for:
  - real estate
  - venture capital
  - family office.
- cost of corrections coverage
- pre-claim inquiry coverage
- derivative demand investigation coverage
- extradition coverage.



## TAILOR-MADE INDUSTRY FORMS

Hiscox offers a base form for private equity, fundless sponsors, fundless asset managers and small business investment companies (SBIC's). In addition, we have tailored forms and supplemental applications for the following industries:



### REAL ESTATE

- Includes the appointment and oversight of any third party service provider.
- Added identification of, arranging of financing for, purchase or sale of, or investment in real property.



### FAMILY OFFICE

- Expanded professional services to include services such as; bookkeeping and administration, tax and estate planning, and selection and oversight of external service providers.



### VENTURE CAPITAL

- Amended definition of loss (inquiry coverage, security claim).
- Expanded definition of controlling person.

# COMMON CLAIMS SCENARIOS

## BANKRUPTCY TRUSTEES FOR PORTFOLIO COMPANIES

One of the portfolio companies of a private equity firm filed for bankruptcy and a trustee was appointed. The creditors felt that the management was being paid excessively, and made a claim for damages.

## EMPLOYEES OF THE FIRM

A venture capital firm was sued by an employee for discrimination. The employee alleged that she was not promoted to a higher-ranking, client-facing position in the firm because of her gender.

## EMPLOYEES OF PORTFOLIO COMPANIES

A portfolio company of a private equity firm went bankrupt. The employees of the company sued the private equity firm, contending that the firm was responsible for the pension obligations of the bankrupt company. The firm was found not to be responsible for the pension obligations, but incurred significant costs to defend itself.

## REAL ESTATE

### LIMITED PARTNERS

Several investors in a real estate partnership sued the management for failing to register the securities in the partnership. The partners alleged that the securities were exempt, but the case eventually went to court, resulting in costs for both sides.

### SELECTION AND OVERSIGHT

The partners in a real estate development partnership selected a general contractor for an apartment complex. There were continual delays and cost overruns that significantly impacted the return for investors. The investors sued the partnership for vicarious liability and breach of fiduciary responsibility.

## FAMILY OFFICE

### SELECTION AND OVERSIGHT

A family office provides multi-generational financial planning services, and selects and oversees ancillary professionals such as estate planning attorneys, CPAs and business valuation specialists. When the patriarch of the family dies unexpectedly, the office tasks a valuation specialist to value the business for sale. The family later determines that the valuation was low, and they sue the valuation specialist, and the family office for vicarious liability.



## VENTURE CAPITAL

### FOUNDER WASH-OUT

The founder of a hot tech start-up company sought equity funding to expand the business, but was wary of giving up too much equity or control of the company. A venture capital firm invested a larger amount than the founder asked for, but demanded a larger share of the company as well. After the deal was finalized, the founder was approached by another firm offering the same amount of money for less equity. The founder sued the venture capital investors, alleging they unfairly diluted his equity position and duped him into relinquishing control of his company.

### LIMITED PARTNERS

A limited partner in a venture capital firm sued the firm when an investment did not perform as expected. The partner blamed the firm for allowing the portfolio company to deviate from its planned strategy and alleged breach of fiduciary responsibility. The court found in favor of the firm, although there were significant legal fees.

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