Marsh

Protecting potential: Key insurance coverage for startup private equity sponsors

Starting a private equity (PE) fund is an exciting prospect. But with opportunities also come new challenges, underscoring the importance of a robust insurance program to protect your organization. The team of specialists within Marsh's Private Equity and Mergers & Acquisitions Practice can help you identify the right coverage for your organization and assist you in designing a program suited to your long-term risk management needs.

Amid increased market volatility, growing cyber threats, and heightened scrutiny from the Securities and Exchange Commission (SEC), PE firms face a complex risk environment. Today's challenging landscape can be more difficult to navigate when you're laying the groundwork for success. And since PE firms tend to take on additional financial risk, it's important to have foundational insurance coverage in place to protect both your organization and your partners from the consequences of challenging investment decisions.

Marsh's team of PE specialists has extensive experience helping emerging funds like yours build robust insurance programs to help mitigate risk throughout your growth journey. We will work with you to understand the risks specific to your organization and recommend an insurance program that is tailored to your risk profile. As your fund continues to grow and make investments, we will continue to assist you in making necessary adjustments to the program so that it remains relevant to your evolving risks. The main coverage lines that organizations like yours should consider include:

General partnership liability. Providing protection for your fund and senior leaders is critical. A general partnership liability (GPL) policy is a blended policy form containing both directors and officer liability (D&O) as well as professional liability coverage. This protects the general partners and investment advisor of an

As you set out to build an effective insurance program for your fund, you should seek to answer these questions:

- What kind of coverage do I need?
- When should I purchase each type of coverage?
- How does this initial coverage help my fund become more resilient?

insured fund in the event of a claim from an investor, other plaintiff, or informal investigation by a regulatory body. GPL coverage is particularly critical as you begin managing daily operations, developing relationships with investors, and executing investment opportunities.

Cyber insurance. Designed to help you understand, measure, and manage cyber risk, our team can assist you in building a cyber program that supports you in transferring risk out of your organization and preparing for the future as you build your firm. Our dedicated cyber advisors provide in-depth knowledge and expertise to help you navigate the complex cyber risk landscape and identify which policies are most relevant to you.

Contractually required coverages, such as workers' compensation or property. As your fund grows and evolves, you may find yourself contractually obligated to purchase certain types of insurance, such as property insurance, which, as an example, may be required by your landlord when leasing space. Additionally, purchase of workers' compensation insurance is compulsory for most employers in most states — so as soon as you hire employees, you must have this type of coverage in place. Our specialists can assist you with identifying, analyzing, and prioritizing risks to protect your business and the people who power it.

The timeline for protecting your fund

Aside from statutory requirements, there's no specific trigger for when a fund should purchase coverage. It is, however, a best practice — and prudent — to secure a policy during fundraising, especially since the SEC pays particular attention to representations made in the fundraising phase. However, sponsors will often delay purchasing coverage until it is requested by a limited partner (LP), when starting the diligence process on a target, or when the firm makes an investment. Regardless of when you make the decision to purchase coverage, your Marsh team can help you with any of your coverage needs.

Additional coverages to consider

Once you have these insurance building blocks in place, you may begin to consider additional policies that support your growth-oriented goals, especially as you begin to deploy capital — for example, you may wish to consider transactional risk insurance. Our team can help you identify the coverage that best fits your growth needs.

For more information, contact your Marsh representative.

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Why Marsh

Marsh's Private Equity and Mergers & Acquisitions (PEMA) team has more than 25 years of experience delivering comprehensive services across the investment lifecycle. Our specialists have a deep understanding of the unique set of challenges that our clients face as they seek to create and protect value while investing across a diverse range of industries. From fundraising, acquisition, and asset management to divestment activities and exits, Marsh's team of PEMA insurance specialists can help you enhance deal value, improve capital returns, and drive operational resilience through the portfolio of companies in which you are investing.

About Marsh

Marsh is the world's leading insurance broker and risk advisor. With more than 45,000 colleagues advising clients in over 130 countries, Marsh serves commercial and individual clients with data-driven risk solutions and advisory services. Marsh is a business of Marsh McLennan (NYSE: MMC), the world's leading professional services firm in the areas of risk, strategy and people. With annual revenue of $23 billion, Marsh McLennan helps clients navigate an increasingly dynamic and complex environment through four market-leading businesses: Marsh, Guy Carpenter, Mercer and Oliver Wyman. For more information, visit marsh.com, and follow us on LinkedIn and X.