



General Partner Liability: Key Opportunities & Five Critical Coverage Considerations



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A general partner liability (GPL) policy may be a good fit for fund managers. A specialized broker can help tailor a GPL policy to help address an Insured's unique risk profile.

WHAT IS GPL COVERAGE?

GPL coverage essentially combines directors and officers (D&O) errors and omissions (E&O), and outside directorship liability (ODL) into one policy. Other coverages such as employment practices liability, and fiduciary liability, may be added as additional coverage options. The policy structure and coverage details vary from carrier to carrier, but the blended coverage approach is relatively consistent.

Blended coverage is an important consideration for fund managers because of the interconnected nature of their professional and financial services activities, which overlap with traditional D&O exposures. D&O and E&O on a single policy can help streamline coverage administration, clarify coverage intent, and reduce the potential for disputes between carriers.

WHO CAN BENEFIT FROM GPL INSURANCE?

A GPL policy can be a suitable option for family offices, real estate investment companies, venture capital firms, private equity funds, hedge funds and related industries.

While D&O policies tend to be geared toward corporations, GPL policies are actually intended for a wide range of organizational structures, including partnerships and limited liability companies (LLCs). Consider a typical claims scenario in which investor members file a lawsuit against the managing members of an LLC. A GPL policy can provide coverage for this type of litigation.

FIVE CRITICAL CONSIDERATIONS WHEN PLACING GPL COVERAGE

GPL coverage is an insurance solution that can benefit from specialized expertise. When placing GPL coverage, brokers can face challenges that, if not carefully addressed, could result in insureds facing claims without coverage aligned to their expectations. Following are some common considerations to be aware of when evaluating coverage.

Consideration #1: Misalignment Between the Policy Structure and the Business Structure

GPL policy forms vary in how they address insured organizations. It is important to

evaluate the terms of each placement and have the insured confirm that the policy meets their needs. For example, some forms automatically extend coverage to funds and their affiliated entities, while others require that the entities be scheduled. It is also important to evaluate how "insured organization" is defined. As part of the underwriting process, a firm typically needs to submit a detailed and accurate organizational chart. Each policy should be reviewed and, if beneficial, customized to more closely align with the unique structure of the organization.

Consideration #2: Coverage for Informal Investigations

GPL policies typically cover formal investigations, but coverage for informal investigations is not typically provided for the insured organizations. For fund managers, this coverage can be beneficial. In an informal investigation, there is no alleged wrongful act (a typical delineation between formal and informal investigations), and there may never be. However, the firm may still want to engage counsel to handle the process. That said, the scope of informal investigation coverage, and to whom it extends, varies by carrier, so the exact policy language will need to be considered.

Consideration #3: Definition of Professional Services

Many types of firms can benefit from GPL coverage, including venture capital and private equity firms, hedge funds, real estate investment companies, and family offices. The services and activities carried out by each firm vary greatly. If a GPL policy does not cover the actual professional services that a firm delivers, coverage may be limited. For firms that provide special services, standard terms may not fully address the relevant exposures.

Consideration #4: Exclusions

Exclusions can narrow coverage, and while certain exclusions may be expected, others may be candidates for removal or modification through negotiation with the carrier.

GENERAL PARTNER LIABILITY: KEY OPPORTUNITIES & FIVE CRITICAL COVERAGE CONSIDERATIONS

Depending on the nature of the firm's activities, a broker should pay close attention to any breach-of-contract, antitrust, intellectual property, broker-dealer, fee dispute, excluded items under Loss, and investment banking exclusions.

Consideration #5: Unclear Policy Language

When a claim arises, whether or not the policy provides coverage, may come down to the exact terms of the policy. As a result, clear and precise policy language is beneficial. Absent such clarity, a claims adjuster may take a more restrictive view of coverage than the insured expected.



The RT ProExec Advantage

RT ProExec is a leading specialty insurance practice focused exclusively on Executive, Professional and Transactional Liability. We provide cutting-edge product knowledge, innovative placement methodologies, and exceptional service to support retail clients and their insureds.

Why should you collaborate with us?

We help our retail trading partners retain existing clients, win new prospects, and grow their portfolios. While expert assistance from a wholesale broker can provide a notable competitive advantage anytime, it is particularly crucial during disrupted markets.

RT ProExec delivers market leading scale and depth.

- Dedicated industry verticals
- Proprietary and exclusive products and enhancements
- Creative problem-solving
- Robust educational resources and services
- Claims advocacy and support

HOW RT HELPS BROKERS DELIVER EXCLUSIVE AND BESPOKE GPL SOLUTIONS

GPL policies can be tailored insurance solutions which can benefit from custom negotiation and broker expertise. At RT ProExec, we offer guidance and enhanced coverage packages to help our clients in evaluating and structuring GPL programs. We also offer the exclusive Private Capital Prime Policy – only available through RT ProExec.

The **RT ProExec Private Capital Prime Policy** is a portfolio product designed to help entities consolidate management liability and professional liability exposures within a single policy framework. Coverages can include Errors & Omissions Liability, Directors & Officers Liability, Employment Practices Liability, Outside Directorship Liability, and Fiduciary Liability.

Backed by leading carriers and written on A-rated paper, this coverage offers:

- Additional supplemental coverages including inquiry costs (informal), shareholder derivative demand costs, and voluntary compliance program costs
- Pre-claim expenses
- Broad definition of Loss
- Broad definition of Professional Services, including Lender Liability
- “For” language applicable to most exclusions
- No product or intellectual property exclusion
- No anti-trust or unfair business practices exclusion
- Additional A-side limit built into the policy form
- Favorable late reporting provision – material prejudice language
- Broad severability language
- Liberalization clause built into the policy form