

Private Equity Firms

How an investment in insurance can pay dividends...



What are the exposures faced by the Private Equity industry?

Private Equity firms face exposures and potential claims that are very different to traditional Investment Managers because of the combination of professional and directorial advisory services provided. The raising of capital, leveraging, portfolio company investments, divestitures, and board seats, combined with IP issues and disgruntled potential portfolio companies generates a dynamic risk profile to be effectively insured.

In recent years there have been several large claims in Australia and the number of claims is increasing as the industry matures.

Potential claims

Private Equity firms are exposed to claims from a variety of sources:

- Portfolio companies:
 - Professional advice
 - Conflicts of interest
 - Failure to provide finance and/or failure to invest
 - Divestitures
 - Intellectual property
 - Confidentiality
 - Directorial issues
 - Employment related claims
 - Insolvency
 - Minority shareholders
 - Competitors
 - Advice on mergers & acquisitions, IPO's and trade sales
 - Representations and warranties
 - Regulators
- Investors:
 - Breach of mandate
 - Performance
 - Capital raisings
 - Fund indemnification
 - Co-investor arrangements
- Litigation involving the Advisory committee
- Unforseen, unsubstantiated and simply vexatious litigation

Insurance issues

Failing to secure appropriate insurance coverage can directly impact on the performance of the Fund, your licence, business, reputation and your personal assets.

Private Equity firms require a specialised, tailored insurance program. Standard PI and D&O, or "Investment Manager" insurance policies do not adequately address the actual exposures.



When structuring an insurance program for Private Equity firms the following issues need to be taken into account:

- Structure of the firm, i.e. trustee, limited partnership, general partnership, advisory committees, ownership, etc.
- Industry focus
- Acquisition style
- Size of funds
- Performance
- Number of funds and portfolio companies
- Portfolio company board seats
- Advice provided, i.e. to portfolio companies, co-investment arrangements, side letters, etc.
- Jurisdictional issues
- Life cycle of funds

Solutions

Our experience from working with numerous Australian private equity firms is that the client's expectations of the insurance cover they had purchased vary greatly from the actual cover in place. Our reviews routinely uncover significant coverage deficiencies, ambiguities and/or find that insurance is placed with inappropriate insurers. This is because the client's activities, controls and exposures are misunderstood and the policy is neither tailored to their needs nor updated in response to claims trends. Fortunately these deficiencies can be easily rectified.

We have an excellent track record in working with various private equity firms to secure comprehensive and competitive insurance programs. We have also encouraged premium competition by developing our own policy wordings with insurers that are available to our clients exclusively through Risk Partners.

About Risk Partners

Risk Partners is an insurance broking firm which specialises in advising the private equity industry on their professional, managerial and directorial risks. We work with private equity managers, fund managers, corporate advisers and portfolio companies, focusing on Directors' & Officers' (D&O), Professional Indemnity (PI) and associated insurance policies. Our team is unique because we are all former PI and D&O insurance underwriters and as such, we have specific knowledge of what underwriters are looking for, how they assess risk and calculate premiums and the cover provided by their policies.

Local Expertise – Global capabilities

The scope of our services is enhanced by our involvement with HSBC Insurance Brokers Limited, part of the HSBC Group. Through this alliance we have access to their services and expertise in London and other international markets. Our clients can benefit from the market strengths and resources of a multinational broker whilst still enjoying the local personalised service and expertise that only a specialist insurance broker can provide.

For more information please contact Mark Parris or Hamish Robinson on 03 9929 9800



Our key people

Risk Partners was established by four accomplished professionals with extensive insurance and commercial experience. We identified a need in the insurance market for a broker that took a different approach to advising clients on their business risks and insurance.

Mark Parris

Mark has 13 years experience in the insurance industry as a broker and underwriter. He is recognised by both clients and insurers as a financial risks and professional lines expert.

Before co-founding Risk Partners, Mark was responsible for establishing a multi million dollar professional and financial risks insurance broking division for the largest privately owned Australian insurance broker. Prior to this he had a successful eight year career underwriting professional and financial risks with Chubb Insurance. He began his career in Banking and later funds management. His first hand experience of working in these industries has been invaluable in his understanding and appreciation of the insurance requirements of the financial services industry. He holds a Bachelor of Business (Economics and Finance), RMIT University.

Hamish Robinson

Hamish has 15 years experience in underwriting, broking and client management. He started his insurance career as an insurance broker with Willis Corroon in the Lloyd's market. In Australia, he specialised in underwriting professional and financial risks as an underwriter with Chubb Insurance and later worked for 5 years with Swiss Re developing complex insurance solutions for a range of financial services companies. Most recently he spent 5 years with Freehills, establishing a highly successful client management program, working closely with the corporate and M&A partners. Hamish brings these professional client service skills, combined with a thorough insurance background to Risk Partners. He holds a Bachelor of Economics (Accounting major), Monash University, Bachelor of Business in Marketing, RMIT University, Graduate Diploma in Applied Finance, Securities Institute of Australia, Completed Level 2 of CFA (Certified Financial Analyst).

Maria Carroll

Maria is a qualified barrister and solicitor who has specialised in insurance litigation. Prior to co-founding Risk Partners she spent 5 years practising as a barrister at the Victorian Bar where she represented both insurers and insureds. She is also an accredited mediator and has worked as a mediator. She has 15 years experience in the insurance industry which includes working as the State Casualty Underwriting Manager of a major international insurer, a consultant to the Insurance Ombudsman, a general commercial underwriter and as a solicitor in insurance litigation. Throughout her career she has served as a volunteer lawyer with a community legal centre. She holds a Bachelor of Laws and Bachelor of Commerce from University of Melbourne.

Andrea Helfrich

Andrea has over 10 years of underwriting and broking experience in primary and reinsurance of financial and professional risks insurance both in Australia and overseas. She has specialised in large corporations and financial institutions. Andrea has worked in London and Sydney as a facultative liability underwriter with General Cologne Re, a division of the Berkshire Hathaway Group and in Melbourne with Chubb Insurance as a senior underwriter in its Financial Lines division. Andrea holds a Bachelor of Science in Economics and Geography, University College London Graduate Certificate in International Business, University of Sydney, Senior Associate of the Australian and New Zealand Institute of Insurance and Finance (ANZIIF).