

Venture Capital Asset Protection Policy - Prospectus

TAILORED INSURANCE FOR VENTURE CAPITAL AND PRIVATE EQUITY FIRMS

Venture capital and private equity firms perform a wide range of business activities. These activities can include financing a portfolio company, serving on a portfolio company's board of directors, exiting a portfolio company position, and nearly everything in between. This wide array of activities creates a host of unique personal and business exposures that can seriously threaten a firm's bottom line and the financial security of the individuals who perform these functions.

HDFC ERGO Venture Capital Asset Protection (VCAP) policy offers management liability, management indemnification, outside directorship liability, professional services liability and crime insurance covers. With HDFC ERGO VCAP policy venture capital firms receive true value and one of the broadest policies in the industry.

WHAT ARE THE EXPOSURES?

The following are some of the exposures that venture capital firms face as investors and developers of emerging companies:

- Positions on Portfolio Company Boards: Active participation in managing your portfolio companies is a hallmark of your firm, but there are risks to be considered.
- Indemnification: To what extent does the indemnification power of a portfolio company protect a venture capitalist serving as an outside director, in particular, on the board of a portfolio company in the seed or early stage of development?
- Down Round Financing: The perception created by down rounds may be that the best interests of other parties are intentionally not being considered.
- Conflicts of Interest: Divergent interests may create scenarios in which not all interested parties feel they have benefited to the fullest extent possible.
- "Wash-outs": Some situations create the perception that a venture capital firm is acting unfairly and in its own best interest while breaching its fiduciary duty to a particular portfolio company, its management and its investors.
- In-kind Distributions: An in-kind distribution is a highly anticipated event. What happens if it doesn't go exactly as expected?
- Bankruptcy: Declaring bankruptcy is a reality for some emerging companies, but that reality can carry significant liabilities for the company's board of directors and business developers.
- Confidential information: How secure is confidential information when it is being communicated or while it sits on a partner's desk or in a filing cabinet?
- Employment Practices: In certain cases, new management is hired to take a portfolio company to the next level. How does old management feel about this?
- Intellectual Property: With thousands of new companies being started the world over every year it is becoming increasingly difficult to be certain that proprietary intellectual property has not already been 'claimed' by another.
- Initial Public Offering: Initial public offerings invite added scrutiny by unaffiliated third-party investors of past and present financial information, management decisions, the offering itself, etc, potentially resulting in costly and distracting litigation.

TAILORED INSURANCE PROTECTION

Standard liability insurance policies may not help protect venture capital firms against these and other exposures, leaving gaps in protection and putting the firm and its partners at risk. HDFC ERGO insurance solution addresses the specific exposures of venture capital firms. For example:

- Standard professional indemnity insurance may require a fee or written contract for services provided in order for insurance to apply. HDFC ERGO understands that the services you provide to portfolio companies are done so as part of making an investment – not for a

fee and, typically, not under written contract – and our professional services liability insurance does not contain such requirements.

- Typical outside directorship liability policies aren't geared toward companies whose executives are members of a growing number of outside boards. HDFC ERGO outside directorship liability insurance helps to protect you every time you join the board of a portfolio company – so you don't have to worry about frequently updating your policy. We also recognise that your role requires participation in, sometimes difficult, employment-related decisions, exposing you to the high costs associated with employment practices litigation. Included in our outside directorship liability insurance is cover for employment practices, giving you that additional level of protection needed in today's legal environment.
- Our professional liability coverage section was developed to insure the services characteristic of VC firms such as the formation, capitalisation, operation and management of a private investment fund, as well as lender liability and the financial and strategic advice given to help developing portfolio companies are all covered. In addition, this cover also applies to 'broken' deals' on proposed investments in portfolio companies – try finding that protection in a standard liability policy.
- The venture capital market, as with all financial markets, has become decidedly global, whether your firm has operations abroad, invests internationally or supports domestic portfolio companies with international operations: you face the liability exposures intrinsic to those foreign jurisdictions.

PRODUCT HIGHLIGHTS

WHAT IS INCLUDED?

The following insurance coverages are available with every VCAP policy:

- D&O Liability
- Company Reimbursement
- Outside Directorship Liability
- Professional Services Liability
- Legal Representation Expenses
- Fund Reimbursement
- Crime Insurance

WHAT IS PROTECTED?

HDFC ERGO VCAP policy is specifically designed to address structures used by the VC industry:

- Venture Capital Limited Liability Partnerships
- Venture Capital Management Partnerships
- Unit Trusts
- Trustee or Management Companies
- Limited Liability Companies

WHO IS PROTECTED?

HDFC ERGO policy offers automatic protection for the firm's critical contributors, including past, present and future:

- Managing Members
- Directors & Officers
- Employees
- Members of Advisory Boards
- Trustees

EXCLUSIONS - UNDER D&O COVERAGE'S

- Prior Notice
- Pending or Prior
- USA

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- Professional Services
- Bodily Injury / Property Damage
- ODL Pollution
- Dishonesty
- Cessation of Insured Capacity
- ERISA
- ODL Pending or Prior

UNDER PROFESSIONAL SERVICES LIABILITY COVERAGE'S

- Prior Notice
- Pending or Prior
- Bodily Injury / Property Damage
- Pollution
- Insured Vs Insured
- Assumed Liability
- Counterpart Insolvency
- Dishonesty

UNDER CRIME COVERAGE'S

- War
- Loss of Income
- Damages
- Consequential Loss
- Cost of establishing Loss
- Insured advantage
- Data
- Non Executive Directors
- Confidential Information
- Legal Proceedings
- Exchange of Purchase
- Safe Deposit or Armoured Motor vehicle
- Authorised Representative

CLAIMS NOTIFICATION

It is a condition precedent to cover under the Policy that as soon as the Insured becomes aware of a Claim during the Policy Period, the Insured must notify the Company in writing of the Claim.

Where the Insured becomes aware of acts that might give rise to a Claim against the Insured, or an Inquiry that might involve the Insured, during the Policy Period then the Insured may elect to report those facts in writing to the Company as soon as the Insured becomes aware of those facts but before the end of the Policy Period in which case any Claim that subsequently arises out of those facts shall be deemed to have been reported to the Company at the time those facts were reported to the Company.

All notices must be sent to:

HDFC ERGO GENERAL INSURANCE COMPANY LIMITED

Corporate Claims Department
6th Floor, Leela Business Park,
Andheri Kurla Road, Andheri(E), Mumbai – 400059
Call Centre - 022-6234 6234

In general, primarily, the following basic documentations are required for taking the claim forward:

- Claim Intimation letter by the insured with respect to the claim or circumstances which would give rise to the claim. This should include information such as Policy details, policy period and Loss details (viz. Loss Location, Contact Details, Details of Loss / Accident, Details of claimants, Rough estimates of Loss).
- Description, in chronological order, as to how, when and where the circumstances leading to the claim or suit occurred including the date

when the insured became first aware of such complaint/demand/ circumstance

- Details of the claimants
- Copies of all written demands made against Insured along with the supporting of the nature and quantum quantum claimed and the response of the insured to the said demands.
- In case if no quantum is claimed, the estimate of the damages likely to be claimed;
- The nature and quantum of damages claimed against the Insured along with supporting or if the claimant has not quantified its damages, Insured's version against the allegations and the estimate of the quantum of damages, thereof
- Copies of all relevant documents relating to the underlying transaction which gave rise to the claim, including correspondence prior and post the occurrence between the parties and any agreements entered into;
- If court proceedings have been initiated, copies of all court documents served on Insured and all court documents filed by Insured;
- Opinion of the counsel in connection to the merits and demerits of the case
- Details of other persons or entities which may be responsible or liable for the loss or damage being claimed; and
- Contact details of person handling the claim in Insured's company.
- Copy of any Internal or external Investigation report and all other relevant reports; if any, , including the details of lawyers appointed (if any), and the respective engagement letters
- Any other documents which would be construed as material information to the case.
- Insured should not admit liability; enter into any compromise without company's prior written consent.

IN ADDITION, YOU MUST :-

- authorized us to obtain records and other information;
- co-operate with us in the investigation of the claim or in the defense of the suit;
- allow us reasonable access to your premises, records and other information; and
- assist us, upon our request, in the enforcement of any right against any person or organisation that may be liable to you because of loss to which the policy applies.

CLAIMS PROCESS:

- An acknowledgement with respect to the claim intimation is given to the insured, once we are in receipt of any claim intimation from the insured, a list of preliminary documents is requested from the Insured.
- Surveyor / Investigator may be appointed, if required.
- In case of surveyor appointment, the same will be appointed and the details of the appointment is conveyed to the Insured
- Final survey report will be provided by the surveyor within 90 days of appointment except where special circumstance exist in respect of a claim due to its special complicated nature or due to difficulties associated with replacement/reinstatement ,the surveyor will seek an extension from Insurers for submission of report
- In case of settlement, offer of claim settlement will be made to the Insured within 30 days of receipt of the last document
- In case of settlement, Claim will be settled by the Insurer within 30 days from the receipt of last, relevant & necessary document from the Insured.
- In case of rejection, the same will be conveyed to the Insured within 30 days from the receipt of the final report and/or documents
- Based on the information submitted in the claim intimation letter / claim form, if required, we may procure more information from

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the insured depending on the facts mentioned therein up to the satisfaction of the Company.

- Apart from surveyor, an investigator and/or forensic investigator can be appointed and Legal counsel opinions can be sought, if required.

The documents required for processing of claims are:

- Policy/Underwriting documents.
- Survey Report along with annexure and/or Photographs wherever applicable
- All documents and/or information relevant to the claim
- Discharge voucher of the Insured accepting full and final settlement
- KYC documents are compulsory

Apart from above Standard documents some other documents may be called for based on the nature of claim.

RENEWAL

The Company shall be under no obligation to renew the policy on expiry of the period for which premium has been paid. The Company reserves the right to offer revised rates, terms and conditions at renewal based on claim experience and a fresh assessment of the risk. This policy may be renewed only by mutual consent and subject to payment in advance of the total premium at the rate in force at the time of renewal. The Company, however, shall not be bound to give notice that the policy is due for renewal or to accept any renewal premium. Unless renewed as herein provided, this policy shall automatically terminate at the expiry of the period for which premium has already been paid.

CANCELLATION

The Insured can cancel the policy at any time during the policy term, by informing the Company. The Company can cancel the policy only on the grounds of established fraud, by giving minimum notice of 7 days to the Insured. The Company shall refund proportion premium for unexpired policy period subject to no claim(s) made during the policy period.

THIS PROSPECTUS

This prospectus gives information only. This is not an insurance contract. Each insurance cover is subject to terms and conditions, which You can read in the Venture Capital Asset Protection Policy document. You must read the policy document to know the insurance cover fully. You can get a copy of the Venture Capital Asset Protection Policy from Our branch or from Our website: www.hdfcergo.com. For any legal interpretation, policy document will hold.

GRIEVANCES

If You have any grievance about any matter relating to the policy, or Our decision on any matter, or Our decision about Your claim, You can pursue Your grievance with Our Grievance Redressal Officer.

If you have a grievance that you wish us to redress, you may contact us with the details of your grievance through:

- Contact us - 022 6158 2020/ 022 6234 6234
- Emails - grievance@hdfcergo.com
- Contact Details for Senior Citizens: 022 6242 6226
- Email ID: seniorcitizen@hdfcergo.com Designated Grievance Officer in each branch.
- Company Website - www.hdfcergo.com
- Courier - Any of our Branch office or corporate office

You may also approach the Complaint & Grievance (C&G) Redressal Cell at any of our branches with the details of your grievance during our working hours from Monday to Friday.

If you are not satisfied with our redressal of your grievance through one of the above methods, you may contact our Head of Customer Service at:

**The Complaint & Grievance Redressal Cell,
HDFC ERGO General Insurance Company Limited
D-301, 3rd Floor, Eastern Business District (Magnet Mall),
LBS Marg, Bhandup (West),
Mumbai – 400078, Maharashtra**

In case you are not satisfied with the response / resolution given / offered by the C&G cell, then you can write to the Chief Grievance Officer of the Company at the following address:

**To the Chief Grievance Officer
HDFC ERGO General Insurance Company Limited
D-301, 3rd Floor, Eastern Business District (Magnet Mall),
LBS Marg, Bhandup (West),
Mumbai - 400078, Maharashtra
e-mail: cgo@hdfcergo.com**

Grievance may also be lodged at IRDAI Integrated Grievance Management System- <https://bimabharosa.irdai.gov.in>

You may also approach the nearest Insurance Ombudsman for resolution, if your grievance is not redressed by the Company. The contact details of Ombudsman offices are below if your grievance pertains to:

- Insurance claim that has been rejected or dispute of a claim on legal construction of the policy
- Delay in settlement of claim
- Dispute with regard to premium
- Non-receipt of your insurance document

You may also refer Our website www.hdfcergo.com <https://www.hdfcergo.com/customer-voice/grievances> for detailed grievance redressal procedure.

ABOUT OUR COMPANY

Name of the company – HDFC ERGO General Insurance Company Limited (IRDAI Reg No 146)

Registered & Corporate Office: 6th Floor, Leela Business Park, Andheri-Kurla Road, Andheri (East), Mumbai – 400 059.

Website – www.hdfcergo.com

Contact number – 022 6158 2020/ 022 6234 6234

Email – care@hdfcergo.com

INSURANCE ACT 1938 SECTION 41- Prohibition of Rebates

No person shall allow or offer to allow either directly or indirectly, as an inducement to any person to take out or renew or continue an insurance in respect of any kind of risk relating to lives or property in India, any rebate of the whole or part of the commission payable or any rebate of the premium shown on the policy, nor shall any person taking out or renewing a policy accept any rebate, except such rebate as may be allowed in accordance with the published prospectus or tables of the insurer.

ANY PERSON MAKING DEFAULT IN COMPLYING WITH THE PROVISIONS OF THIS SECTION SHALL BE PUNISHABLE WITH FINE WHICH MAY EXTEND TO TEN LAKHS RUPEES.

Disclaimer: In the event of any question relating to interpretation of the insurance coverage, the policy document will prevail.