

INSURANCE FOR START UPS

Getting up, going, gone!

*Lifecycle of a start up
from an insurance perspective*

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The early days...

- ▣ Usually the first insurance challenge...
 - Signing a lease...don't think the term landlord is just an anachronism from the old days... the Lord of the Land pretty much calls the shots(better explained by an attorney) but as a tenant you will need to obtain insurance to meet the requirements of the lease.
 - At least Commercial General Liability & Property.

Hey John, I just hired people!

- ▣ Workers compensation insurance – business owners know the importance of taking care of employees but the various States have enacted laws as far back as the early 20th century requiring insurance for injured employees with fines range from \$500 to \$1,000 per day for failure to comply.

John, we signed our first contract!

- ▣ Every business needs revenue and for many companies, especially in the technology area, providing a service means a contract.
- ▣ Contracts for professional services will often require evidence of professional liability also known as errors and omissions. This policy pays defense and judgments for alleged errors or omissions arising from third parties.

John, I need money ...

- ▣ To expand... raising capital or debt to fund operations or growth comes with a lot of scrutiny... proper legal structure, oversight usually in form of board of directors...directors and officers liability insurance is crucial to attract good board members.

John, we found a co to buy!

- ▣ Due diligence of insurance policies and loss history.
- ▣ Prior insurance history of target company
- ▣ Run -off policies where appropriate
- ▣ Pro forma insurance budgets for future costs

John, we are going public!

- ▣ An initial public offering dramatically increases the risk and potential for damages from shareholder lawsuits.
- ▣ These derivative lawsuits brought by shareholders allege negligence on the part of the directors and officers in managing the company.
- ▣ Very costly to defend with judgments often based upon a loss of market capitalization.

John, someone is offering us a lot of money!

- ▣ Run-off insurance to protect the selling directors and officers for up to six years after the transaction for future allegations based upon errors and omissions in running or the sale of the company.

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