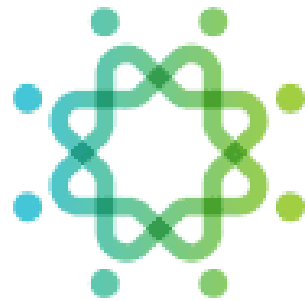


Breakthrough Energy Ventures

Insurance Play Book



Introduction

Emerging growth companies must have a sharp focus on risks and opportunities as they enter into new and unknown territory. They have unique risks. As companies move from start-up through growth to maturity, risk intelligent leadership teams recognize the need for the early identification of key risks and the establishment of mitigation plans to address them.

Risk management and insurance must evolve as risks evolve. To get ahead of disruptive risk, organizations need to develop a proactive risk management program which:

- Pursues the opportunities that risk presents while protecting existing assets
- Creates strategic flexibility while maintaining operational discipline
- Provides assurance to senior executives and the board that risks have been addressed

Insurance coverage is an important tool in managing risk.

The following pages will:

- Explain the necessary types of insurance for the various phases of a new/existing portfolio company's development
- Outline our recommended process for putting the necessary insurance coverages in place
- Provide contact information for BEV's recommended Insurance Consultant
- Provide minimum standards for key start up insurance coverages

Insurance Milestones for Emerging Growth Companies*

Start Up Phase



Growth Phase



Mature Phase

- Management Liability
- Commercial Package Policy #
- Workers' Compensation
- Umbrella Liability
- Employee Benefits
- Key Person Life
- Cargo / Transit

- Professional Liability / Errors & Omissions Liability (E&O)
- Foreign Liability Package
- Cyber Liability
- Project Development/Construction Liability and Builder's Risk Property

- Intellectual Property
- Pollution Liability
- Trade Credit Insurance
- Product Recall
- Difference in Conditions
- Inland and Ocean Marine

* As needed, based on the specific operations and circumstances of the company involved

Can include: General Liability, Property, Auto Liability, Cyber, Crime, amongst other lines of insurance



Who to Call for Help with Insurance

For assistance with insurance procurement or guidance on terms, conditions, pricing or exclusions, please contact BEV's recommended independent expert insurance consultant (they are not an agent or broker and do not sell insurance):

Durrett & David Risk Management, Inc.

ddrmi.com

Tel: (770) 565-1200

Mac Durrett

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Laurie Solomon

laurie@ddrmi.com

Rick DeCoster

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Insurance Procurement Process – Start Up Phase*

Management Liability (D&O):

- Gather necessary underwriting information to include:
 - Cap Table - provides an analysis of a company's percentages of ownership, equity dilution, and value of equity in each round of investment by founders, investors, and other owners
 - Copy of By Laws
 - How much in government funding/revenue does the company expect to get this year and next?
 - Complete listing of Directors and Officers showing names and titles

Commercial Package & Workers' Comp:

- Review Lease agreement(s) for property/flood insurance requirements
- Gather necessary underwriting information to include:
 - Address, description and values to insure at any locations - Owned? Leased?
 - Number of employees and total payroll by classification/state - Anticipated growth? Timeline?
 - Number and type of any owned or leased vehicles – If none, cover rental and non-owned liability
 - General description of company business, products, operations (Business Plan, Core Initiatives)
 - Forecast of anticipated company changes and risk profile for next 12 months

* Need NDA form for the insurance broker to sign before providing necessary info



Appendix Docs Attached

- Drill Down on Types of Insurance – Start Up Phase
- Drill Down on Types of Insurance – Beyond Start Up Phase
- Standards for Management Liability Limits
- Standards for Workers' Compensation
- Commercial Package Insurance Coverages
- Standards for General Liability Insurance
- Standards for Property Insurance
- Standards for Auto Insurance
- Standards for Umbrella / Excess Liability Insurance
- Standards for Cyber Insurance
- Standards for Crime Insurance
- Who to Call for Help with Insurance

Drill Down on Types of Insurance – Start Up Phase

Type of Insurance Coverage	What it Does
Management Liability	Includes Directors' & Officers' Liability, Employment Practices Liability, Crime and Fiduciary Liability coverages. Protects Directors and Corporate Officers (and employees for some risks).
Workers' Compensation	Provides medical and income replacement benefits for employees injured on job. May be required upon hiring of the first employee.
Commercial Package Policy	Provides variable amounts of insurance cover for several property and liability risks. It allows the buyer to satisfy lease requirements, protect business property and insure company's revenue stream all in one policy.
Umbrella Liability	Provides additional limits in excess of specified coverages if required.
Employee Benefits	May be needed to attract and retain employees.
Key Person Life	Insurance purchased by Company on the life of a key employee where the Company is the beneficiary in the event of employee's death.
Cargo / Transit	Provides reimbursement for property damage to assets in transit.

Drill Down on Types of Insurance – Beyond Start Up Phase

Type of Insurance Coverage	What it Does
Errors & Omissions / Misc. Professional Liability	Provides protection from third party claims resulting from errors, omissions or negligent acts in the insured's provision of professional services.
Foreign Liability Package	Provides General Liability, Automobile Liability and Workers' Compensation for international exposures, if any.
Cyber Insurance	Provides insurance coverage for issues concerning media, privacy, computer/information security, hardware and software. These risks are specifically excluded from other policies.
Intellectual Property	Covers third party liability, defense and indemnity costs incurred by the company in suits claiming infringement of patent or other IP.
Pollution Liability	Covers protection for claims arising from damage to the environment resulting from insured business operations.
Trade Credit	A guarantee to companies that they will be paid for goods and services which have been sold. Also known as "accounts receivable insurance". Protects your business from bad debt due to nonpayment by clients.
Product Recall	Covers the costs associated with the recall of your manufactured products.
Difference In Conditions	Covers company for direct losses to business personal property from perils excluded under commercial package policy, most notably earthquake and flood. Usually purchased by companies with significant exposures in disaster prone areas such as northern California.

Standards for Management Liability Limits

Key Management Liability lines of insurance (i.e., Directors' & Officers' Liability and Employment Practices Liability) are sometimes purchased with a combined aggregate limit of liability for both lines of coverage together. In these situations, it is important to select a limit sufficient to respond to the individual D&O exposures as well as corporate EPL exposures. *Be sure to select an insurance company that has a financial rating of "A-XII" (A.M. Best) or better.*

Elements that factor into the D&O limits decision:

- Industry sector (i.e. bio-tech, financial services, energy are higher risk)
- Corporate financials, including balance sheet assets and corporate revenue
- Employee count (as majority of claims against private companies are employment related)
- International reach
- Cost

Early stage companies typically carry between \$1M - \$10M in D&O limits . This large spread arises from difference in board composition, balance sheet strength, M&A activity, industry sector, investor-based influence, IPO plans, etc. *On average, a \$3M limit is typical for many private companies with outside investors.*

General guide for limits:

- \$1 million minimum D&O limits for pre-revenue companies
- \$2 million minimum D&O limits for revenue-generating companies with less than \$10M in revenue
- \$3 million minimum D&O limits for revenue-generating companies with more than \$10 million revenue, with greater amounts for companies with international exposure, heavily regulated industries, large employee bases, and large levels of strategic activity
- \$2 million minimum for companies located outside the US. Sometimes more is required, depending on the jurisdiction.

Standards for Workers' Compensation Insurance

- Limits:
 - **Workers Compensation:**
 - Statutory
 - **Employers Liability:**
 - \$1,000,000 Bodily Injury by Accident
 - \$1,000,000 Bodily Injury by Disease
 - \$1,000,000 Aggregate
- Coverage to Include:
 - Blanket Waiver of Subrogation – Where required by written contract, permit, agreement or schedule
 - Blanket Primary and Non-Contributory – Where required by written contract, permit, agreement or schedule

Commercial Package Insurance Coverages

- General Liability (including Products Liability *)
- Property
- Auto Liability (for rental vehicles) *
- Umbrella/Excess Liability *
- Cyber Liability *
- Crime *
- Cargo/Transit *

* May not be needed initially

Standards for General Liability Insurance

- Limits:
 - **General Liability:**
 - \$1,000,000 Each Occurrence
 - \$2,000,000 General Aggregate
 - \$2,000,000 Products/Completed Operations Aggregate
 - \$1,000,000 Personal & Advertising Injury
 - \$1,000,000 Damage to Premises Rented to You
 - \$10,000 Medical Expenses
 - **Employee Benefit Liability:**
 - \$1,000,000 Each Claim
 - \$1,000,000 Aggregate
 - **Employers Liability:** (or Stop Gap Cover for employees in ND, OH, WA, WY)
 - \$1,000,000 Bodily Injury by Accident
 - \$1,000,000 Bodily Injury by Disease
 - \$1,000,000 Aggregate
- Deductibles:
 - Typically \$5,000 to \$25,000

Standards for Property Insurance

- Insure property on an “All Risk / Special Perils” property form
- Report values and ensure coverage is on a Replacement Cost basis
- Complete Business Interruption Worksheet
- Review policy exclusions and sublimits, and consider any exposure to catastrophic loss
- For property development projects, identify hard and soft costs to be covered by Builder’s Risk policy
- Coverage to Include:
 - Waiver of Subrogation – Where required by written contract, permit, agreement or schedule
 - Equipment Breakdown
 - Blanket Loss Payee and Mortgagee, as their interest may appear

Standards for Auto Insurance *

- Limits:
 - \$1,000,000 Combined single liability limit
 - \$1,000,000 Uninsured/Underinsured Motorist Coverage
 - \$5,000 Medical Payments
- Deductible:
 - \$0 for Liability
 - tbd for Auto Physical Damage
- Coverage to Include:
 - Waiver of Subrogation – Where required by written contract, permit, agreement or schedule
 - Blanket Additional Insured – Owners, Lessees or Contractors, Vendors, Where required by written contract, permit, agreement or schedule
 - Primary and Non-Contributory – Where required by written contract, permit, agreement or schedule
 - Hired Autos specified as covered autos you own for any auto hired, borrowed or leased by you
 - Employee Hired Auto

* May not be needed initially

Standards for Umbrella/Excess Liability Insurance *

- Limits:
 - \$1 - \$3 Million Each Occurrence
 - \$1 - \$3 Million Products/Completed Operations Aggregate
 - \$1 - \$3 Million General Aggregate
- Note: This insurance would apply above the Commercial General Liability, Business Automobile Liability, and Employer's Liability policies. This policy should be on a "following form" basis or at least as broad as the underlying coverage.

* May not be needed initially

Standards for Cyber Insurance *

- Limits: (relates to actual exposure)
 - Privacy Liability
 - Network Security Liability
 - Electronic Media Activity
 - Network Extortion
 - Miscellaneous Professional Services Liability
 - Technology E&O Liability
 - Digital Assets
 - Business Interruption
 - Expenses for Breach Response Services
- Deductible: Generally \$5,000 or higher

* May not be needed initially

Standards for Crime Insurance (i.e., Fidelity) *

- Limits:
 - \$1 Million Employee Theft
 - \$1 Million ERISA Fidelity
 - \$1 Million Forgery or Alteration
 - \$1 Million On Premises
 - \$1 Million In Transit
 - \$1 Million Money Orders and Counterfeit Money
 - \$1 Million Computer Fraud
 - \$1 Million Computer Program and Electronic Data Resolution Expense
 - \$1 Million Funds Transfer Fraud
 - \$100,000 Personal Accounts Forgery or Alteration
 - \$50,000 Claim Expense
- Deductible: \$1,000 or higher

* May not be needed initially

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