

General Partnership Liability (GPL) Insurance Guide

2026 Risk Overview for CFOs and GCs

A strategic breakdown of coverage, risk, and regulation



Prepared by
Steven Barge-Siever, Esq.
steve@upwardriskmanagement.com

Founder | CEO
Upward Risk Management LLC

Introduction

Why We Wrote This Guide

Traditional Directors & Officers (D&O) insurance was never built to protect the legal and operational structure of a private investment fund. While it may cover portfolio company executives, it does not extend to the fund-level liabilities triggered by investment decisions, regulatory scrutiny, valuation disputes, or GP oversight failures.

These exposures fall squarely on the general partner (GP) - where fiduciary accountability is concentrated and governance responsibility resides.

The result: a critical coverage gap most firms overlook.

General Partner Liability (GPL) Insurance is the only policy structure designed to close that gap. It combines:

- Errors & Omissions (E&O) protection for the GP's investment activities, with
- Directors & Officers (D&O) protection for the fund's managers and officers.

This dual-triggered exposure is unique to private capital and cannot be solved with traditional off-the-shelf coverage. It must be intentionally structured - and properly underwritten - to respond when it matters.

This guide clarifies what GPL is, how it works, and why it matters. It is designed for:

- Fund managers navigating fiduciary oversight,
- Legal counsel structuring fund risk, and
- Institutional investors and LPs evaluating governance protection.

Who This Is For:

- **General counsel** structuring fund coverage or auditing existing policies
- **VC board members** overseeing governance, compliance, or exits
- **Founders** and **co-GPs** scaling investment vehicles or raising capital
- **Institutional investors** evaluating fund governance and liability controls

What This Guide Covers:

- **Litigation trends** shaping fund and board liability
- **Critical exclusions** in legacy D&O policies that leave GPs unprotected
- **Recommended insurance limits and enhancements**
- **Underwriting insights** - what insurers look for in governance, transparency and control

Introduction

What is GPL Coverage

General Partner Liability (GPL) Insurance is a hybrid policy designed to protect both the investment management activity of a fund and its governance structure. It combines two distinct types of liability coverage into a single integrated form:

- Errors & Omissions (E&O) coverage for the General Partner and affiliated manager in their capacity as investment advisers, fund operators, or asset allocators
- Directors & Officers (D&O) coverage for individuals responsible for oversight and governance of the fund - including those supervising the GP or serving on fund committees

This hybrid structure reflects the dual nature of risk in private fund operations:

- The GP and manager make discretionary investment and operational decisions.
- Fund directors, officers, and governance bodies oversee those decisions and may be liable for failing to supervise, identify conflicts, or protect LP interests.

Both roles face scrutiny - from limited partners, regulators, counterparties, and occasionally each other. GPL Insurance is designed to address this integrated but bifurcated exposure, where traditional standalone E&O or D&O policies would leave critical gaps.

D&O

Covers directors, officers, and individuals serving on fund governance committees for claims tied to their fiduciary roles - such as overseeing the GP, approving deals, or managing conflicts of interest.

E&O

Covers the General Partner and affiliated manager in their role as investment adviser, asset allocator, or portfolio strategist.

Three Core D&O Protections

General Partner Liability (GPL) Insurance includes D&O coverage designed for the unique governance structures of private investment funds. Unlike public company D&O, which focuses on corporate executives, GPL D&O responds to fiduciary risk across:

- Fund directors and officers
- Governance committee members
- Management entities supervising the GP

When properly structured, GPL D&O protects individuals and entities both when indemnification is available and when it is not - a critical distinction in fund governance litigation.

1. Side A – Non-Indemnifiable Losses

What it covers:

Direct coverage for individuals (e.g., GPs, fund officers, committee members) when the fund or GP cannot legally indemnify them - whether due to insolvency, regulatory limitations, or LPA restrictions.

- No retention applies - this is first-dollar coverage.
- Often the only source of protection when indemnification is barred or contested.

Why it matters:

- Insolvency, SEC action, or state law may block the fund from paying defense costs.
- Individuals can be personally exposed - Side A is their last line of defense.
- Especially critical in LP-driven derivative actions or SEC enforcement scenarios.

Common Side A Triggers:

- SEC names individual in an enforcement action
- Fund is insolvent or in receivership
- LPs bring a derivative claim and indemnification is barred
- LPA or state law prohibits indemnification

Illustrative Scenario:

A former fund director is named in a derivative suit alleging mismanagement and unjust enrichment. The fund cannot indemnify due to LPA restrictions. Side A responds immediately, paying defense costs directly to the individual.

D&O Component of GPL Cont.

2. Side B - Reimbursement

Reimburses the fund or firm after it has indemnified an insured individual - typically applies to claims involving current GPs or directors acting in their fiduciary roles.

- Subject to retention (usually six figures for larger/sophisticated funds).

Why it matters:

- Ensures defense costs and settlements don't erode operating capital.
- Preserves firm assets in contentious litigation.

Illustrative Scenario:

A GP is sued by a former partner for alleged investor poaching and IP misuse during a transition to a new firm. The current firm indemnifies the partner; the GPL policy reimburses the firm for \$1.5M in costs.

3. Side C – Entity Coverage

Provides protection when the fund or affiliated entity is named directly in a claim, either alongside individuals or on its own.

Why it matters:

- Common in LP lawsuits, fee disputes, reputational harm claims.
- Especially important in cases involving marketing materials, track record statements, or ESG claims.

Illustrative Scenario:

A VC firm is sued for public disparagement of another financial institution in the context of competitive fundraising. Insurance covers \$1M in defense expenses.

Coverage Element	Who's Protected	Trigger	Retention?
Side A	Individuals (GPs, board members)	Fund can't indemnify (legal restriction)	<input type="checkbox"/> No
Side B	Fund reimbursed for indemnified person	Fund pays on behalf of individual	<input checked="" type="checkbox"/> Yes
Side C	The fund or manager entity	Entity named in suit	<input checked="" type="checkbox"/> Yes

E&O Component of GPL

Errors & Omissions (E&O) coverage within a GPL policy protects the General Partner and affiliated management entities in their capacity as investment advisers and fund operators. It addresses the professional liability risks that arise when the GP is managing capital, executing strategy, or making decisions on behalf of the fund.

What E&O Covers

1. Investment Management Liability

Covers claims that the GP failed to act with due care or breached investment guidelines, strategy, or fund documents.

- Example: An LP alleges that the GP deviated from the stated strategy by over-concentrating the portfolio, resulting in material losses.

2. Operational or Administrative Failures

Covers mistakes in fund execution - such as misallocation of expenses, late capital calls, or flawed reporting.

- Example: A calculation error leads to incorrect NAV reporting, triggering LP claims.

3. Misstatements in Offering or Marketing Materials

Protects against claims that investors relied on inaccurate performance data, AUM disclosures, or fee projections.

- Example: The fund is sued for misrepresenting its past IRR in investor presentations.

4. Regulatory Investigations Related to Investment Activity

E&O coverage may respond to formal inquiries involving breaches of fiduciary duty under securities law, mismanagement, or misrepresentation.

- Example: The SEC opens a formal investigation into related-party transactions and allocation of shared expenses.

How E&O and D&O Overlap in Real Claims

Many real-world fund claims trigger both E&O and D&O sections of the policy.

For example:

- An LP sues both the GP (for strategy deviation) and the fund's oversight committee (for failure to supervise).
- The SEC investigates the GP's investment activities and simultaneously targets board members for governance failures.

Well-structured GPL policies allocate these exposures clearly - avoiding coverage disputes.

Pricing Factors

What Drives Underwriter Decisions and Premiums for GPL

 **[Try our Pricing and analytics tools here](#)**

Capital

Higher AUM, higher potential loss

Investors

Number of investors and makeup

Strategy

Activist, majority, foreign investmnet, etc.

Claims

Past claims = higher premium

Assets Under Management (AUM)

- Higher AUM increases the dollar risk of mismanagement, governance failure, or LP litigation.

Fund Vintage & Structure

- Older funds with long LP tail risk, cross-fund exposure, or SPVs increase complexity.

LP Base (Retail vs. Institutional)

- Retail LPs or broad cap tables elevate the risk of investor complaints, arbitration, and disclosure-related disputes.

Investment Strategy

- Higher-risk strategies (e.g., deep tech, emerging markets, crypto) increase both E&O and D&O scrutiny.

Portfolio Governance Role

- Taking board seats or active oversight raises D&O exposure. Passive investing often lowers premium.

Regulatory Profile

- History of SEC exams, disclosures, or past investigations will impact both pricing and capacity.

Loss History / Known Incidents

- Prior litigation, enforcement actions, or rescinded capital raises are material pricing events.

Broader Market Conditions

- GPL pricing is still carrier-sensitive. Appetite, competition, and claim trends vary by quarter.

Benchmarking Pricing & Limits

Standard Pricing: (Per \$1M Limit)

Stage & Risk	Premium (Per \$M)	Typical Retention
\$20M - \$250M	\$12,500 - \$20,000	\$50K - \$150K
\$250M - \$500M	\$15,500 - \$25,000	\$150K - \$250K
\$500M - \$1B	\$20,000 - 40,000	\$250,000
\$1B - \$5B	25,000 - 75,000	\$250K - \$500k

* Actual pricing depends on underwriting variables such as fund structure, LP base, governance posture, and regulatory history. See [\[here\]](#) for key pricing drivers.

Standard limits purchased

AUM	Limit
\$20M - \$100M	\$1M - \$5M
\$100M - \$500M	\$5M
\$500M \$1B	\$5M - \$10M
\$1B+	\$10M+

Limit decisions in early-stage funds are often driven by LP mandates or side letter requirements. At larger fund sizes, limits become a strategic choice - balancing investor optics, governance risk, and pricing efficiency.

Note: Side A-only excess and tower layering become common at \$500M+ AUM.

GPL Litigation Trends

Fee Misrepresentation & Commingling:

- High-profile cases like SEC v. Alumni Ventures Group and Perceptive Advisors are emblematic of a broader trend where both regulators and investors are targeting inadequate or misleading disclosures around fees, expenses, and fund operations. These cases are leading to both regulatory penalties and follow-on civil claims, directly implicating E&O and D&O coverage.

AI & Tech Disclosure Fraud:

- The rise in “AI-washing” enforcement is real, with the SEC and investors scrutinizing exaggerated or opaque AI claims in fundraising and marketing. Litigation risk is heightened when board oversight or diligence is lacking, making D&O coverage (for governance failures) and E&O (for operational misstatements) increasingly important.

Valuation & Markdowns:

- As the venture and private equity markets correct from prior overvaluations, LPs are challenging markdowns and valuation methodologies, particularly when processes are opaque or appear self-serving. These disputes often allege breaches of fiduciary duty or bad faith, which can trigger Side A D&O coverage if indemnification is unavailable.

Side Letter & Preferential Treatment Disputes:

- Even with the partial vacatur of the SEC’s Private Fund Adviser Rules, investors are increasingly litigating over undisclosed side arrangements and conflicts. Enforcement and private claims are focusing on transparency and fairness, again raising D&O and E&O exposure.

Cybersecurity & Data Handling Liability:

- Cyber incidents remain a major litigation driver, with both SEC enforcement and investor lawsuits following breaches or poor incident response. Board-level failures to oversee cyber risk can lead to D&O claims, while operational lapses implicate E&O and tech/cyber policies.

2026 SEC Key Compliance Areas

AI Governance & Disclosure

The SEC is increasing scrutiny of AI-driven tools, automated decision-making, and technology-enabled advisory services. Firms utilizing AI are expected to maintain documented governance frameworks, human oversight, testing procedures, and accurate disclosures regarding the use and capabilities of artificial intelligence.

Cybersecurity & Operational Resiliency

Cybersecurity remains a core examination priority heading into 2026. The SEC continues to focus on incident response planning, ransomware preparedness, vendor oversight, access controls, and operational continuity. Advisers should expect heightened expectations surrounding data governance and third-party risk management.

Marketing Rule Compliance

The SEC continues actively reviewing compliance with the Investment Adviser Marketing Rule, including testimonials, endorsements, hypothetical performance, social media content, and AI-generated marketing materials. Firms should ensure all advertising and communications are properly supervised and supported by appropriate disclosures.

Fiduciary Duty & Conflicts of Interest

Examinations remain heavily focused on fiduciary obligations, fee disclosures, conflicts of interest, private fund practices, and best execution. Advisers offering alternative investments, private credit strategies, or complex products should expect increased regulatory attention.

AML & Third-Party Oversight

The SEC is expected to continue advancing enhanced anti-money laundering (AML) and vendor oversight expectations for investment advisers. Firms should prepare for more formalized compliance requirements related to third-party service providers, identity verification, sanctions exposure, and operational controls.

Newly Registered & Rapidly Growing Advisers

The SEC has indicated that newly registered advisers, firms experiencing rapid growth, and advisers expanding into new business lines will remain key examination targets throughout 2026.

Solution

Tech Enabled Expertise and Structuring GPL Insurance and Processes that Work

Technology-Driven Process

- One upload, one expert, no back-and-forth.
- Smart applications eliminate duplicate asks and missing data.
- Your information stays structured — so the strategy improves with every renewal.
- You work with a real expert. And you don't get buried in emails trying to prove you're organized.

Risk Mapping

- Pinpoint the real exposures: governance, LP disputes, cross-fund oversight, and regulatory scrutiny.
- Go beyond checklists - understand how risk actually shows up in fund litigation.

Coverage Benchmarking

- Align your limits, structure, and pricing with similar AI companies - by capital raised, product type, and risk profile.

Negotiation

- Push for clarity — not just capacity. Remove legacy exclusions, redefine roles, and harden definitions before you need them.
- Build scalability into the contract. Design for growth, future fundraises, and international LP requirements.

What It's Not:

- Auto-generated quotes
- Off the shelf policy and standard email processing
- Brokers who can't explain the language

Next Steps

At Upward Risk Management, we combine deep underwriting knowledge with proprietary AI tools to deliver insurance programs designed for how funds actually operate.

01

Custom Analytics

We use proprietary tools to generate tailored risk reports - analyzing your funds investment profile, regulatory risks, and historical/future exposures.

Beyond benchmarking, we deliver:

- Investment-specific risk signals
- Pattern recognition from past litigation
- Contractual and structural exposure mapping
- Data-backed recommendations for structure, carriers, and pricing

Think of it as an underwriter's report - generated before you ever fill out an application.

02

Policy Review

We target the exclusions that quietly weaken your coverage - from regulatory sublimits to misaligned definitions.

With a blend of legal review and AI analysis, we uncover:

- Subtle language traps
- Hidden exclusions in endorsements
- Inconsistencies across layered policies
- Structural weaknesses most brokers never flag

Every review includes prioritized fixes and a clear path to stronger protection.

03

Risk Management Strategy

You'll meet directly with a risk expert - not a middle layer, not a sales person. We combine 20+ years of legal, broking, and underwriting experience to structure a program around how your fund actually works.

