SOVRA

THE CHECKLIST · THE FOUNDER LEFT OVERNIGHT. WOULD YOUR COVERAGE HOLD?

One checklist, by owner

Ask these about your own company, or about every company where you hold a board seat or a meaningful position.

BOARD

- [ ] Is there a documented succession plan, with a named interim leader and an emergency delegation of authority?
- [ ] Is the short list of internal candidates reviewed every year?
- [ ] Is there a dedicated Side A DIC layer that only individuals can access?
- [ ] Would one executive's misconduct, or knowledge on the application, be imputed to the other directors?
- [ ] How does the policy define "change in control," and could a board reshuffle or a lender action trigger run-off?
- [ ] Has the capacity exclusion been removed or narrowed for sponsor-designated directors?

CFO / GC

- [ ] Is the D&O limit sized for a crisis, assuming defense costs erode it, or only for an average claim?
- [ ] Does that scenario include entity defense, several individual defendants and a regulatory inquiry?
- [ ] What carve-backs does the insured-vs-insured exclusion have, and would a removed founder's claim be covered?
- [ ] Are internal investigation costs and pre-claim inquiries covered, and is the rest budgeted?
- [ ] Are counsel and rates pre-approved, including separate counsel for the founder?
- [ ] Is six-year run-off pre-priced or pre-negotiated, and do the run-off and go-forward wordings fit together?
- [ ] Is the portfolio company policy expressly primary over the fund's GPL, and does that match the indemnification agreements?

HR

- [ ] Do the D&O and EPL wordings work together for an executive's termination, equity and retaliation claims?
- [ ] Are the employment and equity agreements clear on for-cause termination, forfeiture and clawback?
- [ ] Does the EPL policy carry a higher, separate retention for claims by high earners?

COMMUNICATIONS

- [ ] Would a founder's death, incapacity or departure trigger the crisis-communications sublimit?
- [ ] Is the sublimit realistic for a multi-month engagement, and does it sit inside or outside the limit?
- [ ] Is the crisis firm pre-approved, and is there a board-approved communications protocol?

BENEFITS / FINANCE AND ESTATE COUNSEL

- [ ] Is key person life and disability coverage in place, and sized to the actual economic loss?
- [ ] Is the buy-sell funded for every executive the investment thesis depends on, and reviewed since the 2024 Connelly decision?
- [ ] Is every company-owned policy inventoried and matched to a purpose?
- [ ] Are §101(j) consents on file, and has Form 8925 been filed every year?
- [ ] If the exit is not a death, what cash value could fund interim leadership and retention?

EVERYONE

- [ ] Who owns the whole picture?

If any answer is "I'd have to check," that is the answer.

General information only, not legal, tax or insurance advice.