

## **Introduction:**

IPO Smart Shield Insurance is taken by a company when it goes public, mainly to protect the company, its directors, promoters, and intermediaries from risks and liabilities arising during and after an IPO (initial Public Offering). This Policy protects against claims arising from incorrect or misleading information in the IPO prospectus. In the recent past there is an increase in demand for this insurance in large IPO due to SEBI regulations and rising shareholder activism.

## **Who can purchase "IPO Smart-Shield Insurance"?**

This Policy can be purchased by

- Companies issuing an IPO - The company going public takes IPO insurance to cover risks arising from disclosures, misstatements, or omissions by the Directors or Officers in the prospectus.

## **What is the coverage under the policy?**

The policy pays for losses from **claims** made against insured individuals, companies or shareholders during the policy period. It protects the companies, directors, and underwriters against liabilities arising from misstatements, errors, or omissions in the prospectus during a public share issue.

### **1. Individual (Directors & Officers)**

If a legal claim is made against directors and Officers personally during the policy period, and suffer a financial loss (like legal defence costs or settlement), the insurer will pay that loss.

#### **Example:**

A director is sued for misleading disclosure in the IPO prospectus. The insurer indemnifies the claim.

### **2 Company Reimbursement**

If the company pays legal costs or damages for on behalf of individuals, the insurer will indemnify the company.

#### **Example:**

The company pays lawyers for a director being sued. The insurer indemnifies the company.

### **3 Entity Coverage**

If a claim is made directly against the company (not just individuals), the insurer indemnifies the claim against the company.

#### **Example**

Investors sue the company for incorrect IPO disclosures. The insurer covers defence costs and settlements.

### **4 Underwriter Reimbursement**

If the individual or the company have to pay losses on behalf of the IPO underwriters (due to obligations in the underwriting agreement), the insurer will reimburse that amount.

#### **Example:**

Underwriting agreement requires the company to indemnify the merchant banker. If a claim arises and the company pays, insurance refunds it.

#### 5. Controlling Shareholder

Losses suffered by a controlling shareholder (large shareholder with control) due to IPO-related legal claims made against them.

Example:

A promoter is sued for alleged misrepresentation connected to the IPO. Insurance covers legal costs.

#### 6 Selling Shareholder

Losses from claims made against selling shareholders (Shareholders who are selling shares in the IPO) due to the IPO.

Example:

An existing investor selling shares is sued for disclosure issues. Insurance protects them.

Claim:

**Claim** means:

- (a) any written demands made against any **Insured** for monetary damages or other relief, including non-pecuniary relief arising from a **Wrongful Act**; or
- (b) any allegation of a **Wrongful Act** communicated to any **Insured**; or
- (c) any criminal, civil or arbitration proceedings (including extradition proceedings) against any **Insured** relating to a **Wrongful Act**; or
- (d) any regulatory or administrative proceedings or any other official investigation with regard to any allegation of a **Wrongful Act** committed by any **Insured**

Any number of **Claims** which arise out of or are attributable to or are in any way connected with a single **Wrongful Act** shall constitute a single **Claim** for the purposes of this Certificate.

**Wrongful Act** means:

Any actual or alleged error, misstatement, misleading statement, misrepresentation, omission, neglect, breach of duty, breach of warranty of authority or other act attempted or committed by any **Insured** in connection with an **Offering**.

**Offering** means:

The offering of **Securities** as detailed within the **Particulars**.

**Particulars** means:

- (i) the documents specified in Item 14 of the schedule, submitted with and forming part of the submission (including any offering or placement memoranda, prospectuses, circulars, offering statements or documents of similar character or use and any supplements or amendments to such documents), which have been duly filed with the appropriate regulatory and/or stock exchange authorities; or
- (ii) any draft or preliminary prospectus (or any equivalent document in any jurisdiction) to the disclosure documents specified in Item 14 of the schedule; and

the statements made by any **Insured** in any **Road Show**.

### **What is payable under the policy?**

- damages, judgement awards, settlement awards and costs;
- punitive or exemplary damages or civil fines or penalties but only where these are legally insurable in the jurisdiction in which a Claim is made;

### **What are the additional covers under the policy?**

- 1. Emergency costs:** This clause allows retrospective approval of urgent costs such as all reasonable fees, including disbursements, incurred in the investigation, mitigation, defence, adjustment and appeals of any Claim if the insurer's consent could not be obtained promptly.
- 2. Public Relations cover:** Coverage for urgent public relations fees to prevent or minimize covered claims are reimbursed by us.
- 3. Non-Executive Directors Additional Limit of Liability:** This cover provides an additional, and separate limit of liability (up to 100% of the aggregate limit, specified in Item 6(f) of the Policy Schedule) to eligible non-executive directors if the main policy's aggregate liability is exhausted. The additional limit is only for a Non-Executive Director who has not been involved in any Claim during the Certificate Period.
- 4. Mitigation Costs:** We agree to pay for legal fees up to a specific amount for the insured to seek legal advice to prevent a potential lawsuit from escalating into a formal claim.
- 5. Witness Cover:** We will pay reasonable travel costs and living expenses incurred by You when giving evidence to defend a Claim provided that We have consented in writing before such costs are incurred and up to the amount specified.
- 6. Personal Liberty and Property costs:** This cover protects personal assets and freedom when a director or officer faces severe regulatory or criminal proceedings that threaten their personal liberty or property, rather than just their managerial reputation.
- 7. Interpretive Counsel:** This clause covers reasonable expenses incurred to understand legal advice regarding a Wrongful Act claim made in a foreign jurisdiction.
- 8. Official Investigation Costs:** We will pay reasonable legal fees up to the limit in Item 6(h) of the Schedule for:
  - Required attendance by you at an official investigation, examination, inquiry, or similar proceeding
  - The investigation must be ordered or commissioned by an official body/institution empowered to investigate the company's affairs

To be covered, the investigation must be official/compulsory, and you must have obtained prior written approval from the insurer for the legal expenses.

*All the above additional covers are subject to terms and conditions of the policy.*

### **What are the exclusions under the policy?**

We shall not be liable for **Loss** on account of any:

#### **1. Prior Claims**

Claims arising from or attributable to any Claims or circumstances notified to any certificate of insurance which incepted prior to the inception of this Certificate or which arise from matters substantially the same as alleged or established in such Claim or circumstance; or

Claims arising from or attributable to proceedings which existed prior to or were pending at the earlier of the inception date of this Certificate or which arise from matters substantially the same as alleged or established in such proceedings.

#### **2. Crime Fraud and Personal Benefit**

Claims arising from or attributable to:

- (a) any criminal act or omission; or
- (b) any act or omission committed with the knowledge that it was in breach of any statute, contract, duty or other legal obligation; or
- (c) the gain of any personal profit, remuneration or advantage to which You were not legally entitled including, but not limited to, profits made from the purchase or sale of the Company's securities within the meaning of Section 16(b) of the Securities Exchange Act 1934 (USA) and/or any amendment to or re-enactment thereof; or
- (d) the committing of any deliberately dishonest or fraudulent act.

This Exclusion shall only apply if the act, omission or profit is established by a court, tribunal or any other final adjudication or by admission.

#### **4.3 Underwriter Professional Indemnity**

Claims arising from or attributable to an Underwriter carrying out, or failing to carry out a professional service.

### **What is the claims procedure?**

#### **Claim intimation:**

All notifications relating to Claims or circumstances must be in writing or sent by facsimile to  
Royal Sundaram General Insurance Co. Limited  
Vishranthi Melaram Towers", 2/319, Rajiv Gandhi Salai, Karapakkam, Chennai 600 097.

#### **Claim process:**

- The insurer will appoint a defense counsel for the settlement of claims who may seek for additional information/evidence or clarification
- The insured must fully cooperate with the insurer during the investigation process.

- The insured should not admit liability or incur costs without the insurer's prior written consent, as this may jeopardize coverage.
- It is important to keep us updated regarding the status of the claim and provide us with all relevant information (key correspondences).
- The claims will be settled as per the terms and conditions of the policy.

**Grievance Clause:** In case of any grievance, you may visit our website [www.royalsundaram.in](http://www.royalsundaram.in) or write to [care@royalsundaram.in](mailto:care@royalsundaram.in) or call 1860 258 0000/1860 425 000 and register your grievance. Escalation 1: If you are not satisfied with the resolution provided or require any further assistance, you may escalate the matter to: [manager.care@royalsundaram.in](mailto:manager.care@royalsundaram.in), Escalation 2: If you feel your grievance has not been resolved satisfactorily, you may escalate further to: [head.cs@royalsundaram.in](mailto:head.cs@royalsundaram.in), if you are not satisfied with the response you can approach our Grievance officer, the updated details of which are available on our website [www.royalsundaram.in](http://www.royalsundaram.in). If you are still unsatisfied you can approach IRDAI [@complaints@irdai.gov.in](mailto:@complaints@irdai.gov.in) or IRDAI's online portal – Bima Bharosa portal by registering your complaint at <https://bimabharosa.irdai.gov.in>. You can also approach the insurance ombudsman at <https://www.cioins.co.in/ombudsman>. Detailed grievance redressal procedures is available in our Policy wording and on our website.

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### **Section 41 in the Insurance Act, 1938**

#### **41. Prohibition of rebates**

(1) 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 or continuing a policy accept any rebate, except such rebate as may be allowed in accordance with the published prospectuses or tables of the insurer: Provided that acceptance by an insurance agent of commission in connection with a policy of life insurance taken out by himself on his own life shall not be deemed to be acceptance of a rebate of premium within the meaning of this sub-section if at the time of such acceptance the insurance agent satisfies the prescribed conditions establishing that he is a bona fide insurance agent employed by the insurer.

(2) Any person making default in complying with the provisions of this section shall be liable for a penalty which may extend to ten lakh rupees.

**Note: In case of any conflict, the terms and conditions mentioned in the policy document shall prevail.**