

Making sure your business is 'raise ready'

VC investors are paying closer attention to insurance due diligence. This is due to a greater awareness of emerging risks. Investors are particularly focused on risk that affect a startup's ability to scale, block future funding, or even put them on the wrong side of regulatory compliance. High-profile disputes have highlighted that strong risk management isn't optional.

The right insurance protects both the business and its backers. Investors are focusing on key areas:

- **Directors & Officers (D&O) insurance** – Shields board members (often including investors) from liability.
- **Key Person insurance** – Mitigates the financial risk of losing a founder or critical leader.
- **Cyber liability insurance** – Ensures resilience against cyber threats, now essential with rising data breaches and regulatory fines.
- **Intellectual Property (IP) insurance** – Safeguards innovation and prevents legal setbacks.

This shift signals a more mature VC ecosystem—one that values resilience as much as ambition. For startups, getting the right coverage isn't just about managing risk. It's about proving they're investment-ready.



Daniel Barrett-Nembhard
Director of Legal,
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"As startups prepare for future funding rounds, comprehensive insurance coverage becomes a critical governance factor. VCs (and the LPs which back them) increasingly scrutinise risk management as a sign of operational maturity. We issue term sheets with specific insurance requirements around D&O, key-man and increasingly - given today's climate - cyber. Inadequate coverage is a diligence risk factor which can delay deals and, where material risks are identified, increase exposure to liability at company and/or founder level. Getting insurance right early demonstrates to VCs that founders understand the importance of protecting their business interests both now and in the future as the company scales."

Capsule's recommended insurance limits – understanding the right level of cover at different growth stages.

Directors & Officers (D&O) Insurance

- **VC Perspective:** Protects board members (including investors) from personal liability.
- **Business protection:** Attracts strong leadership and reassures investors.

Key Person Insurance

- **VC Perspective:** Startups rely on key individuals—losing them can destabilise the business.
- **Business protection:** Covers operational disruptions and replacement costs.

Cyber Liability Insurance

- **VC Perspective:** Cyberattacks can cripple tech startups, leading to major losses.
- **Business protection:** Ensures resilience against cyber threats.

Intellectual Property (IP) Insurance

- **VC Perspective:** Startups depend on IP, and legal disputes can be costly.
- **Business protection:** Critical for innovative startups to prevent legal disputes from stalling growth.

Directors' & Officers' Liability

Industry	£0-5m raised	£6-20m	£21-60m	£61-100m	£101-250m
Non-regulated	£1m	£2m	£3m	£5m	£10m
Regulated	£1m	£3m	£5m	£5m+	£10m+

Key Person and Critical Illness Protection

	£0-1m revenue	£1-5m	£5-25m	£25-50m	£50m+
Life insurance	£200k	£200k	£300k	£500k	£1m+
Life insurance + critical illness	£200k	£200k	£300k	£500k	£1m+

Cyber Liability and Professional Indemnity

Industry	£0-1m revenue	£1-5m	£5-25m	£25-50m	£50m+
B2B	£1m	£2m	£3m	£5m	£10m
B2C	£1m	£2m	£5m	£5m	£10m+

Intellectual Property (IP)

£0-5m revenue	£5-25m	£25-100m	£100m+
£1m	£1m-£2m	£2-£5m	£3m-£5m

These guidelines are general in nature and may not be right for your business. Please refer to the T&Cs of any policies offered or purchased. Insurance products offered are subject to application and underwriting requirements.

Capsule