Collateral Protection Insurance FAQs

How much coverage is available for a borrower with qualified IP?

Policy limits are available up to $3 million (USD). Higher limits, up to $10 million (USD), require review by the carrier.

What information is required to apply?

Completed CPI Application | Business Plan |Financials |Patent/Product Information | Search Fee

Is Applicant required to carry Enforcement and Defense Insurance?

Yes. Loan proceeds are used to pay the insurance premium.

What is the policy term?

The policy term is typically three (3) years, with extensions generally available to match the loan term.

How is the premium for CPI calculated?

The target premium is between 9% -12% rate-on-line (3% -4% annually). Premium includes Enforcement and Defense Insurance premium, CPI premium and a contingency fee (5 months interest, if it becomes necessary to foreclose on the collateralized IP).

What information is required in the business plan?

Executive Summary | Business Description | Products and Services | Organization and Management |Marketing and Sales Strategy | Financial Plan. This information will be used to evaluate the following: Reasons for Seeking a Loan | Intended Use of the Loan Funds | Expected Results of these Activities.

Is the program available to companies with no revenue?

Yes. The program works for startups that are in the product development stage as well as for going concerns.

Does the Borrower have to use all of their IP as collateral?

No. The borrower can select the IP. However, if the patents are determined to be subservient to another patent within the portfolio, the policy requires that the dominant patent stands as collateral.

Is a personal guarantee required?

The lender will decide if a personal guarantee is required. However, it is the intent of the CPI policy to eliminate a need for a personal guarantee; and, since the policy limits are likely to be much higher than the net worth of the borrower, lenders (to date) have not required one.

Our expert consultants at IPISC can help with IP risk assessment and offer unique and innovative solutions.

Contact IPISC for additional information:

800.537.7863
info@ipisc.com
www.ipisc.com

This material is for informational purposes only and does not change or replace any terms or effect of any Policy language. Please consult a copy of the Specimen Policy for complete terms and conditions.

PATENT INSURANCE

Collateral Protection Insurance FAQs

What commercial risk does CPI protect against?

The commercial risk protected against by this policy is the possibility that the Intellectual Property (IP) collateral pledged for a loan will adequately cover the short fall if called upon.

What commercial risk does CPI *not* protect against?

The CPI policy does *not* protect against non-compensated losses resulting from misdeeds such as, but not limited to, material misrepresentations, fraudulent inducement or breach of contract.

How does CPI differ from an SBA Loan?

The SBA will not guarantee an IP-secured loan.

Are there specific banks that can do this type of transaction?

Yes. However, it is the intent that all banks will become acclimated to making CPI insured, collateralized loans.

Will the subject IP be lost in the event of a loan default?

Yes. If the policyholder is unable to reconcile the default, the insurance carrier has the option of taking possession of the intellectual property.

Is Applicant required to secure insurance and the lender concurrently?

The loan closing entails executing the CPI policy documents, the Enforcement and Defense policies and the loan documents. The lender is identified prior to closing.

Is there a chance to reconcile a late payment?

The policyholder has 60 days from receipt of notification to reconcile a late payment.

What are examples of Offsetting Compensation or Recovered Costs?

The sale of products and/or royalties received after default during run-off is an example of offsetting compensation. Money recovered from litigation, fines, awards and penalties collected from an adversary is an example of recovered costs.

What is a "Reasonably Foreseeable Adverse Happening?"

Applicant or the lender must make a statement of no "Reasonably Foreseeable Adverse Happening" when applying for the CPI policy. Please refer to the specimen policy definition.

Can you describe the Escrow Agent's role?

The Escrow agent, if any, ensures that the IP's maintenance fees are paid during the loan term and ensures orderly liquidation of the IP upon the occurrence of a collateral default.