

Directors and Officers Liability Insurance

Safeguard Your Personal Assets

What is Directors and Officers Liability Insurance?

Directors and Officers Liability Insurance protects the directors, officers and managers of a company against claims arising from their decisions and actions taken whilst managing their business. The policy will provide a fund for the directors, officers or managers of a company to draw upon in order to pay defence and settlement costs, along with the cost of legal representation at investigations.

Why Buy Directors and Officers Liability Insurance?

When directors are accused of breaching their duties actions may be brought against them personally, with devastating consequences even if they have done nothing wrong. Directors' personal liabilities can be unlimited.

These allegations may or may not be justified; however the costs of defending an action, or indeed the cost of any award made, can be devastating. The director is not protected by the shield of corporate limited liability and these costs must be borne personally by the director concerned along with any damages awarded. If the directors' company chooses to volunteer to pay these costs, then any payment is treated like a benefit and tax is due to the Inland Revenue by the director.

How Can Claims Arise?

If a Director is perceived to have failed in any of their duties then a claim could generate from any one of a number of third parties including:

- Shareholders
- Creditors
- Employees
- Auditors
- Liquidators
- Customers
- Suppliers
- HSE
- Environment Agency

Our Facility

We have an exclusive facility with QBE Insurance (Europe) Limited, which is competitively priced with benefits including Pollution and Environmental Defence costs.

Claims Scenarios from your Industry

Directors can face financial liabilities from a number of scenarios – here are just a few:

- The Managing Director of an Oil Distributor faced an HSE prosecution when a site manager at a remote location did not provide a permit to work and safe working environment for a bona-fide subcontractor. The tank being worked upon subsequently caught fire causing injuries to the subcontractor. The MD was prosecuted not the site manager.
- Directors of a company faced an HSE prosecution for failing to carry out a risk assessment or obtain proof of adequate training for an employee using a fork lift who subsequently hit a colleague. The MD & Operations Directors were prosecuted not the employee.
- A shareholder sued two directors for damages arising out of their failure to secure the purchase of some land. The company had an option to purchase the land and it had previously been agreed at a directors' meeting that such an option would be exercised.
- Directors of a company faced an Environment Agency prosecution for pollution caused to neighbouring property which they did not disclose to the EA in a timely manner.

8 Reasons to Buy Directors and Officers Liability Insurance

1. DIRECTOR DISQUALIFICATION

1200 directors disqualified in the year to March 2007. Disqualification orders are from 2 to 15 years. Even after the ban the stigma remains: credit history and personal reputation may be permanently damaged. D&O is designed to pay for the legal defence costs as and when they are incurred.

2. INVESTIGATIONS

It's very easy to complain about a company. The DTI's Companies Investigations Branch considered complaints against almost 3500 companies in the year 2006-2007. The financial costs of investigations are considerable.

3. PERSONAL LIABILITY

Mistakes can be very costly. D&O Insurance is not designed to cover dishonest or fraudulent acts, but directors can be found personally liable even when they haven't been dishonest, deliberate or fraudulent in failing to take sufficient care – in which case awards and defence costs would be covered.

4. CRIMINAL LIABILITY

Directors could go to prison, for their actions, inaction or ignorance. The very best defence can be invaluable, but very costly. D&O Insurance cannot cover the criminal penalties – that is against public policy – but it can cover the costs of defending a claim up until the point guilt is established.

5. FAMILY COMPANIES

Family run businesses, which make up a large proportion of UK businesses, carry with them exposures for the individuals concerned. Family companies can be a hotbed of dispute – internally and externally.

6. PARTNERSHIPS

Partnerships can be particularly vulnerable to employment-related claims. Whilst they are not governed by Companies Act legislation they are still subject to the raft of employment legislation and scrutiny by bodies such as the Equal Opportunities Commission, the Commission for Racial Equality and the Disability Rights Commission.

7. UNFOUNDED, MISCHIEVOUS AND SCURRILOUS ALLEGATIONS

Directors can face allegations, unfounded or otherwise, which they will be forced to defend, and even unfounded allegations can be extremely expensive, time consuming and stressful.

8. PAST PRESENT AND FUTURE

Actions can (and do) follow directors from job to job. Actions cost money and can be very stressful on both the director and his family. Retirement offers no escape, nor does death as directors' estates can be pursued. D&O covers past directors and the estate. Even when the policy is no longer in force, D&O Insurance covers directors for a run off period following retirement, as long as the policy was in place at the time of the alleged incident.