

## **Directors & Officers Liability Insurance (D&O)**

D&O insurance policies offer liability cover for company directors / managers to protect them from claims which may arise from the decisions and actions taken within the scope of their regular duties.

Such policies cover the personal liability of company directors and officers as individuals, but also the reimbursement of the insured company in case it has paid the claim of a third party on behalf of its managers in order to protect them.

The core purpose of a D&O policy is to provide financial protection for managers against the consequences of actual or alleged “wrongful acts” when acting in the scope of their managerial duties. The D&O policy will pay for defence costs and financial losses. In addition, D&O policies also cover costs for managers generated by administrative and criminal proceedings or in the course of investigations by regulators or criminal prosecutors.

### **Claims for D&O are split into areas – External Claims and Internal Claims**

**External claims** could be from: Creditors, Stockholders, Customers, Suppliers, Competitors, Tax Authorities, Employees

**Internal claims** could be from: Subsidiaries, The company itself or other insured individuals (co-directors, managers)

### **Claims examples:**

I have listed some examples below to give you an idea of the types of claims being made:

#### **Defamation**

A company’s Managing Director was quoted in two newspaper articles as having concerns as to the propriety of the owner of one of the company’s suppliers. The owner claimed for defamation. The claim was eventually dropped, but only after insurers had funded the Managing Director’s defence costs. Defence costs: £32,000

#### **Insufficient controls as a Director**

14 Directors of a privately-owned delivery business were banned after the company went into insolvency and was the subject of a subsequent DTI investigation. Only two Directors ran the business on a day to day basis, but all Directors were found to be responsible for the books and records not being up to the correct standards. Defence costs were incurred to defend the legal actions against the Directors.

#### **Cheque Mistakes**

A Director signed a cheque but did not include the word ‘Limited’. The cheque was not honoured and by the time the corrected cheque was re-presented, the company had gone into liquidation. Due to this, the Managing Director was held personally responsible for the value of the cheque, over £30,000.

**Disgruntled Director**

A former Director of a company sued the current Directors, after alleging that they had conspired to deny him his correct pension benefits. The Directors personally incurred costs of £36,000 defending the claim.

**Corporate Manslaughter**

A driver fell asleep whilst driving for a family-run haulage company as an employee. Two motorists were killed. The court held that the operations manager should have ensured that his driver adhered to the relevant driving regulations. He had also failed to keep in close touch on these matters with his Co-Director. Both Directors therefore incurred substantial defence costs before both were convicted of corporate manslaughter.

**Health and safety**

A Managing Director and several technical managers faced criminal prosecutions for alleged breaches of health and safety legislation, which resulted in the accidental deaths of two employees. Defence costs: £890,000

**Carriage of goods**

As a result of his company allowing dangerous goods to be carried by air, the Civil Aviation Authority interviewed a Director under caution.  
Legal representation expenses: £21,000

**Cost**

The cost of a good D&O insurance is not expensive and in today's litigious world if you are a Director or Senior manager then, in our opinion, this cover is essential.

"Typical" cost for £500,000 cover is less than £500 per annum, but let us provide a personalised quote for you.