

# 10 Reasons to buy Corporate Directors and Officers Liability Insurance

## 1. Director Disqualification

Over 1500 directors disqualified in 2004. Disqualification orders are from 2 to 15 years. Even after the ban, the stigma remains; credit history and personal reputation are permanently damaged. D&O is designed to pay for the legal defence costs as and when they are incurred. We understand the legal processes, and have one of the most experienced and tenacious claims team in the world. It's good to have the strongest and toughest in your corner when facing such a crisis.

## 2. Investigations

It's very easy to complain about a company. The DTI's Companies Investigations Branch considered complaints against almost 5000 companies last year. The financial risks of investigations are considerable – Our Corporate D&O insurers pay out more for investigations in the UK than anything else under D&O cover.

## 3. Personal Liability

Directors' personal assets, their houses, savings and pension funds, are at risk, whether they have acted deliberately, negligently or innocently. Mistakes can be costly. D&O insurance is not designed to cover dishonest, deliberate or fraudulent – just 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, inactions 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 of guilt is established.

## 5. The SME set-up

Fast, flexible and energetic but often with little risk management infrastructure (in house legal, risk managers or compliance managers) and few formal control processes, sooner or later, some businesses are going to make expensive and very time consuming mistakes. Our Corporate D&O insurance covers the individual director's defence costs and employment tribunal costs as well as the associated awards. Our Corporate D&O insurance plan will also cover the company as well. Employment Tribunals are full-blown legal hearings, are expensive and can last for months, and damages awarded are often considerable.

## 6. 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 hot bed of dispute – internally and externally.

## 7. Partnerships

Partnerships can be particularly vulnerable to the problems of 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 Disability Rights Commission. Using our Non-standard Corporate D&O option, Director Protection has specific insurance packages for the management liabilities of partners at their work place, and on the board of other companies.

## 8. 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. The very presence of D&O can be a huge relief at such times.

## 9. 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. Corporate D&O covers past directors and the estate. Even when the policy is no longer in force, our Corporate D&O insurance covers directors for a run off period following retirement, as long as their D&O insurance was in place at the time of the alleged incident.

## 10. Inadequate Cover? Legal Expenses Versus D&O Insurance

Legal Expenses policy limits are much lower (e.g. £50,000, £75,000, £100,000) which is inadequate for larger protracted actions. Legal expenses insurance only responds when an insured has reasonable prospects of success. It's precisely because directors' might well lose an action that D&O insurance is so essential (to fund defence costs or settlements). Faced with a career and lifestyle-changing crisis they will not want to rely on legal expenses policy that will only cover them if likely to win.