

Directors & Officers Liability Insurance

AN AIDE MEMOIRE

Our target clients are privately owned limited companies with turnover up to £100 million, however companies with turnovers above this can be considered on an individual basis.

Why is D&O insurance important?

Due to strict regulations by UK and EU courts and governments and ever increasing legislation including the Companies Act 2006, both Directors and Officers personal exposures have become extensive.

The Companies Act 2006 clearly sets out in statute the principle duties owed by directors to their company.

The new duty requires a director to act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of the members as a collective body.

The duty requires the director to have regard to six specified factors:

- The likely consequences of any decision in the long term
- The interests of the company's employees
- The need to foster the company's business relationships with suppliers, customers and others
- The impact of the company's operations on the community and the environment
- The desirability of the company maintaining a reputation for high standards of business conduct
- The need to act fairly as between members of the company

Research shows that in companies with a turnover of up to £100 million many remain without cover, risking everything they have ever worked for.

What are the risks for Directors & Officers without cover?

They are endless. A common myth is that limited liability status will protect a director from being sued - it will not. Directors are personally liable to defend any claims and their personal assets are immediately at risk. Even their spouse, partner or estate could be held liable.

The consequences can be devastating:-

- Disqualification as a director
- Criminal prosecution
- Personal bankruptcy
- Loss of job and reputation
- Family trauma and financial hardship

Directors can be sued by employees, shareholders, their own company, creditors, regulators, customers, competitors, government, or anyone else who feels that they have suffered a loss arising from the director acting wrongly.

Cases can be brought for a variety of reasons:

- Mismanagement
- Negligence
- Unfair dismissal or discrimination
- Libel and slander
- Breach of duty
- Anti-competitive behaviour

What exposures do Directors of Private Companies face?

Directors of privately owned companies potentially have a greater exposure. Why?

- They usually have a direct and considerable financial stake in the company, resulting in exposure to the potential costs which may be incurred defending and/or settling any legal action.
- A large proportion of private companies cannot afford the luxury of their own risk management teams i.e.
 - in-house legal advisors
 - HR department
- As the structure of a private company will not be so complex, it is easier for regulators, investigators or third parties to apportion the blame back to a decision taken by a director

Glemham's wording has been specially tailored for the private sector. It offers wider cover with dual limits of indemnity for the Directors & Officers and the Company as well as experienced claims support.

Our wording provides comprehensive cover for the company itself as well as for the directors, officers and employees from such issues as:

- actual or alleged breach of duty
- neglect
- misstatement
- errors or omission
- employment practice violations

What does the policy provide?

Individual Cover:

- Legal costs, damages and settlements for wrongful acts
- Legal costs, charges and expenses of legal and other professional fees at official investigations
- Extra protection for each Non-Executive Director
- Extended Cover for Retired Directors (6 years run-off)
- Protection for Spouses and Estates
- Automatic cover for UK and European Union domiciled subsidiaries

Company Cover:

- Separate Limit of Indemnity
- Legal costs, damages and settlements arising from an Employment Claim
- Legal costs for representation at official and formal investigations
- Legal costs for employee fraud
- Legal costs for breach of contract / agreement

This wording specifically addresses the exposures that Directors of Private Companies face on a daily basis.

Glemham can offer peace of mind and comprehensive cover in an ever changing business environment.

Please Note:

This is an Aide Memoire only. You should familiarise yourself with the full certificate terms and conditions and advise your clients to do the same.

If you are interested in finding out more, or to request a copy of the certificate wording and proposal form, please contact Gordon Warnes by telephone on 0203 170 7264 or email at gordon.warnes@glemham.com

Alternatively, for information on all our products, please visit us at:-

www.glemham.com