



# Directors and Officers Liability Insurance

## Protecting companies, directors, officers and senior managers

Directors and officers face significant litigation exposure in the course of running a company. As a director or officer your personal liability is unlimited.

Directors and Officers Liability Insurance Cover protects companies, directors, officers and senior managers against claims arising from their decisions and actions taken whilst managing their business.

**The duties of a director have been established through statutes, regulations and case law and can be broken down into the following areas:**

### Duty of Care and Skill

This is a common law duty that requires directors to act with 'the care an ordinary man would take in the same circumstances on his own behalf' and with the skill expected from someone with his 'particular knowledge and experience'. Where duties are delegated the director is responsible for ensuring that the person to whom the duties are delegated is sufficiently experienced, reliable and honest.

### Fiduciary Duty

Directors must act honestly, in good faith and in the best interest of the company and must ensure that he does not have any conflict of interest.

### Statutory Duty

There are many statutes that affect the conduct of directors and officers including the Companies Act 1985, Insolvency Act 1986, Financial Services Act 1986, Environmental Protection Act 1990, Health and Safety at Work Act 1974, to name but a few.

**If a director is perceived to have failed in any of his duties, then a claim could come from any one of a number of third parties including:**

- Shareholders
- Creditors
- Government and regulatory bodies
- Employees
- Auditors
- Liquidators
- Customers
- Suppliers.



In a claim situation the director's personal asset are at risk. Directors cannot rely on the company indemnifying them. Often such an indemnity from the company will be in contravention of the Companies Act. Regardless of the stipulations of the Companies Act in the event of insolvency there will be no prospect of the company indemnifying the directors and officers.

The Directors and Officers Liability Insurance Policy will pay on behalf of the director their legal costs and expenses and any civil damages awarded against them.

The policy can also be extended to include Employment Practices Liability cover which covers your legal liability following an employment dispute.

### Cover includes:

- Damages (including injury to feelings), judgments, settlements, defence costs and awards or claimant's costs as well as pre – or post – judgment interest
- Legal representation costs for employment investigations. This cover also adds an additional defined limit of liability dedicated to such costs.
- Cost of paying wages from date of purported dismissal to date of judgment in the event that the company is ordered to re-instate or re-engage worker.
- Punitive and exemplary damages where insurable by law.
- Acts committed prior to inception of the policy.
- Acts worldwide.

Hallsdale Commercial has access to a wide panel of insurers that would be happy to quote for your business.