

Directors & Officers Liability



This leaflet provides a summary of the significant features, benefits and limitations of the cover provided by Zurich Insurance Company Directors & Officers Liability policy. For full details of the cover including complete terms, conditions and exclusions please refer to the policy document. This can also be obtained via the Zurich website:

www.zurich.co.uk/commercial

Many D&O's of private companies aren't aware of the dangers that are open to them personally, or believe they are immune to attacks from employees, regulators, shareholders and creditors (at any time, even after retirement). Instead they assume they are able to hide behind the so-called 'corporate veil' to allow their company to deal with any allegations of mismanagement.

The reality is that even with the recent passing of an amendment to the Companies Act 2004, Directors & Officers of private companies carry a personal risk of financial ruin from actions brought against them. If a claim is made against a Director or Officer, they must usually meet the costs of defending themselves and if found to be at fault, any settlement required.

Type of insurance and cover:

This policy provides cover for personal and other liabilities in relation to running a business for directors, officer, supervisors, managers and others. Directors and Officers liability is tailored policy.

- Limits of Indemnity from £250,000 to £10,000,000
- Initial cover periods of between six and 18 months
- Extends to reimburse the company in situations where they are allowed to pay Directors and Officers defence costs.
- Full cover in respect of Insured versus Insured actions, other than in the USA where limitations apply.
- Includes cover for claims instigated by a shareholder against a Director or Officer.
- The Policy cover applies at the time a claim is made and the limit of liability includes all costs.
- Policy is written in plain English.

Exclusions:

- Proven Fraud
- Actual bodily injury or property damage
- Cover in relation to parent companies and for professional services
- Cover in relation to the USA employment Retirement Income Securities Act

Claims Examples:

Threat by Health and Safety Executive (HSE) to prosecute a director of our insured, an electrical contractor, for alleged failure to have proper health and safety procedures in place. An employee (15 years old and in his first week) working in a small team on a client premises. He was left unsupervised for a short period and was badly injured by factory machinery due mostly to lack of experience. In the end HSE dropped the charge against the director and pursued the company alone however legal costs were incurred which the policy picked up.

A complaint by an employee against a director of an I.T. company alleged sexual harassment. This seemed to be prompted by the fact that this employee had "whistleblown" on a specific issue, which resulted in a suspension for gross misconduct. Case was settled out of court with settlement and costs met by the D&O policy.

During a shareholder dispute over control of a company, a former CEO (who had resigned over the dispute) recommended the Government to investigate the firm over alleged irregularities. The directors spent an initial GBP 35,000 in legal costs, with a further GBP 65,000 held in reserve. These were all met by a D&O policy.