

Management Liabilities Insurance

Directors and officers liability – Why insure?



1,388 Directors disqualifications in 2009
19,319 Company insolvencies in 2009

Source: The Insolvency Service

Directors are the 'mind and will' of the Company. They are personally responsible for their actions and are open to unlimited liability from their personal wealth.

If someone feels a decision made or overseen has adversely affected them, the Director could be personally sued.

Insolvency of the company does not negate Directors liability. Claimants could be shareholders, creditors, investors or the general public. Directors could also face criminal sanctions.

Sentinel Corporate Risk can also arrange cover for "non standard" D & O business which might involve:

- MBO's / MBI's
- Start ups
- Venture capital involvement
- Companies undergoing financial re-structuring
- Companies preparing to float.

Claims examples

Director accused of aiding and abetting death by dangerous driving. The client was supported by legal services. Director's ill health prevented trial proceedings, however defence costs and legal fees still had to be paid.

Claim paid £118,000 plus £3,000 costs

Engineering manufacturers entered into a factoring agreement with the claimant, but following the company going into administration, alleged that they used the monies due to the claimant to pay other creditors.

Director personally sued £300,000

A full-time director defrauded his company. Two non-executive directors were ordered to reimburse the company from their own personal assets on the grounds that they had not paid any attention to the management of the company's affairs. Their defence, that a non-executive director owed a lesser duty of care, failed.

Costs paid £100,000

Protection

The best protection for directors is to insure against their potential liabilities. A directors and officers liability policy will provide protection against:

- Personal liability
- Reimbursement to the Company (as required or permitted by law or operative indemnity clause in the company's memorandum or articles of association)

And also covers costs and expense for:

- Disqualification proceedings, or
- Attendance at investigation and / or environmental proceedings
- Extradition proceedings (including appeals)

EMPLOYMENT LAW PROTECTION: Why insure?

National employment
tribunal statistics 2009/10:

236,100 claims last year –
a **56%** increase on the previous year

£729,347 highest award last year for disability
discrimination

£234,549 highest award for unfair dismissal

...and an increasing number of employers settling
out of court.

Statistics show most employers are more likely to have an employment claim than a property damage or third party general liability claim. Employment disputes are becoming more frequent and more costly providing one of the fastest growing areas of corporate liability.

Many companies struggle to get to grips with the ever increasing employment legislation and, however good intentioned, a harmless interview, an employee's request or just a bad day at the office can frequently lead to a costly employment claim.

The protection

Employment law protection can offer a solution. This will provide insurance cover for action taken against employers and fellow employees for:

- The cost and expenses of defending any allegations or investigations
- Any awards made against you

ADDITIONAL BENEFITS:

- **Employer helpline and assistance**
provided by specialist employment law solicitors, giving employment law protection clients access to an expert.
- **PR crisis management**
provided by a public relations partner, giving expert guidance and advice on dealing with the media in the event of a crisis.
- **Criminal background screening**
at discounted rates.
- **Online resource centre**
including practical information and useful guides

ENTITY DEFENCE:

There are occasions when an action is brought against the Company rather than an individual. In these circumstances standard D&O policies would not respond.

Entity defence provides cover for the Entity (the Company) in respect of specific situations which arise in the United Kingdom, and is particularly relevant in today's litigious business environment.

The protection

Entity defence covers the company's legal costs and expenses for the following:

- Identity fraud
- Health and safety investigations
- Breach of contract
- Corporate manslaughter
- Pollution
- Taxation
- Data protection

Protect the unexpected

- Business risks
- Professional and management liabilities
- Property, construction and business interruption specialists
- Commercial motor
- Engineering sector specialists
- Credit and guarantee

