

# 10 Reasons to Buy Directors and Officers Liability Insurance

## 1. Director Disqualification

1200 directors disqualified in the year to March 2007. Disqualification orders are from 2 to 15 years. Even after the ban the stigma remains: credit history and personal reputation may be 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 a highly experienced and tenacious claims team. It's good to have the strongest and toughest in your corner when facing a crisis.

## 2. Investigations

It's very easy to complain about a company. The DTI's Companies Investigations Branch considered complaints against almost 3500 companies in the year 2006-2007. The financial risks of investigations are considerable – we know because we pay the claims.

## 3. Personal Liability

Mistakes can be very costly. D&O Insurance is not designed to cover dishonest or fraudulent acts, but directors can be found personally liable when they haven't been dishonest, deliberate or fraudulent by 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, inaction 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 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 may make expensive and time-consuming mistakes. Our D&O insurance covers the individual director's defence costs and employment tribunal costs as well as the associated awards. Employment Tribunals are formal legal hearings, expensive and can last for months.

## 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 hotbed of dispute – internally and externally.

## 7. Partnerships

Partnerships can be particularly vulnerable to 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 the Disability Rights Commission. We have developed 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. D&O cover 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. D&O covers past directors and the estate. Even when the policy is no longer in force, our 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 vs D&O insurance

Legal Expenses policy limits tend to be in the order of £50,000 to £100,000, inadequate for larger protracted actions. Legal Expenses insurance only responds when an insured has good 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 may not want to rely on a legal expenses policy that will only cover them if they are likely to win.

### AIG UK Limited

The AIG Building, 58 Fenchurch Street, London EC3M 4AB.

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