

## 10 Reasons to Buy Directors & Officers Cover

### 1. Disqualification

Hundreds of directors are disqualified each year for periods ranging from two to fifteen years with a potentially devastating impact on personal circumstances. Even after disqualification period ends there could still be problems with reputation and creditworthiness so it is best to be able to afford the very best legal defence when allegations are made.

### 2. Personal exposure

When a director is accused of personal negligence, their private assets including homes, investments and pension funds are put at risk. D & O covers the cost of mounting a robust defence and meeting any settlement.

### 3. Family firms

Family firms can often erupt into disputes both internally and externally. D & O cover can pay for legal expenses incurred in disputes between the directors of the same firm.

### 4. Partnerships

Partnerships can be particularly vulnerable to employment related claims especially discrimination, harassment and failure to promote.

### 5. Mischievous allegations

Firms can often be troubled by mischievous, vexatious or simply unfounded accusations which can be incredibly frustrating and time-consuming. D & O cover can give valuable peace of mind at such a time.

### 6. Criminal acts

While it is against public policy to insure against dishonest or fraudulent acts, D & O can pay for legal defence costs up until the moment that guilt may be established.

### 7. Investigations

The Department for Business Enterprise and Regulatory Reform receive complaints about thousands of companies every year and mounts further investigations in the majority of cases which can be hugely expensive and time-consuming for the subject. D & O helps to cover the costs involved.

### 8. SMEs

Small and medium sized companies are often dynamic and entrepreneurial by nature but often have little in the way of risk management policies and procedures. They are particularly susceptible to employment related disputes which, if they reach tribunal stage, can be very expensive and protracted, usually involving the senior management team and distracting them from day-to-day running of the business. D & O covers the cost and any resultant compensation payments.

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## 9. Run-off cover

Resignation and retirement are not necessarily the end of any negligence claim and actions may even be pursued against the director's estate after death. D & O can provide vital run off cover as long as it was in place at the time of the alleged incident.

## 10. Codified duties

In 2007 changes in the UK Companies Act introduced certain duties for directors which had never been laid out in statute before. It has made directors more accountable and the onus is on them to be aware of their responsibilities under such laws. A breach of such duties will now be easily identified and can result in claims made against the directors. A D & O policy may cover the defence costs and any resulting damages arising from the wrongful acts of a director resulting in the duties being breached.

Amongst other things directors can incur personal liability in the following key areas:

- Involuntary, constructive or gross negligence manslaughter
- Health and safety legislation
- Sexual, racial, disability or age discrimination
- Wrongful or constructive dismissal
- Wrongful trading such as in the knowledge that the business is or will become insolvent
- Unpaid taxes when a business has become insolvent
- Competition and cartel activity
- Copyright and other intellectual property
- Data protection
- E Business
- Environmental issues

Directors can also be held personally liable for the actions or omissions of others