



**La Playa Arts & Entertainment
Insurance with Intelligence**

ARTS & ENTERTAINMENT INSURANCE

Trustee Liability

Protecting your board against allegations of mismanagement or breach of duty.

When considering your organisation's insurance requirements, the unlimited personal liability of your trustees should not be ignored. Company directors, officers or managers are automatically exposed in law to unlimited personal liability – a position shared with trustees of arts organisations.

Examples of trustees' legal liabilities include:

- **Company and trust law:** sees trustees liable to their charity for any breach of trust or fiduciary obligations.
- **Civil law:** sees trustees as liable to third parties either for breaches of contract or for infringement of another's rights.
- **Criminal law:** trustees are seen to be responsible for any breaches.

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Trustees are seen under law as liable for their own actions and, in some cases, for actions they have omitted to take. Employees, volunteers or others sanctioned by the trust to act on its behalf also represent a liability to trustees in respect of their actions and omissions.

This exposure, in addition to the continuing trend in the UK of increased litigiousness sees creditors, customers, suppliers, employees, shareholders, regulators and even fellow directors joining the rush to sue directors, officers and trustees.

What is Trustee Liability Insurance?

Trustee Liability cover provides protection for individuals against this exposure to personal financial ruin, through reimbursement of legal costs, expenses and damages.

Who is covered?

Trustees of the board, directors, officers, the company secretary and employees defined within the memorandum and articles as having control of operations.

What is covered?

- * Breach of trust
- * Breach of fiduciary duty
- * Negligence or maladministration
- * Negligent misrepresentation or misstatement
- * Infringement of intellectual property rights
- * Breach of confidence or misuse of confidential information
- * Defamation
- * Dishonesty of any past or present employee

Case Studies

- * **Defamation:** a director was quoted in the press as having concerns as to the propriety of the owner of a supplier. The supplier claimed for defamation – defence costs £32,000.
- * **Trading while insolvent/disqualification:** two directors allowed their company to continue to trade despite knowing it was going into receivership, creating a VAT liability of £50,000. They narrowly avoided being disqualified from being company directors – their insurer paid £100,000 in defence costs.

Other examples:

- * An employee brings an action against the company for **wrongful employment practices** such as discrimination, harassment, or unfair dismissal.
- * The organisation is taken to court for a **breach of the Health and Safety Act**.
- * The organisation is investigated under suspicion of **mismanagement of accounting records** under the Companies Act 1985.

La Playa is one of the few independent insurance brokers specialising in the performing arts, and is proud to represent a list of clients including many of the UK's leading arts organisations.

La Playa: Insurance with Intelligence

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