



La Playa Science & Technology
Insurance with Intelligence

DIRECTORS & OFFICERS LIABILITY INSURANCE

Protecting your board from personal financial risk

Your directors are a key business asset, providing responsible, experienced hands to guide you, and access to “bigger picture” visioning. Don't leave them high and dry...

Nothing personal?

Directors of all companies are now held, at an unprecedented level, to be **personally responsible** for actions and decisions they make on behalf of the company - putting their **personal assets at risk** if those decisions are tested in the courts.

Legally, the directors of a company and the company itself are **separate entities** and so **may both be defendants**, separately or jointly, in any legal action or prosecution.

Directors & Officers Liability Insurance (D&O) is now considered a crucial form of protection for all businesses, and is often a requirement before investors and board members risk their personal assets to serve your company. It can help to protect the personal assets of individuals and, crucially, to cover the costs of their defence.

DIRECTORS & OFFICERS LIABILITY INSURANCE

**“There’s no
such thing
as Limited
Liability”**

Directors & Officers Liability Insurance Protecting your board from personal financial risk

Where do claims come from?

- Shareholders
- Employees (tribunals)
- Creditors
- Customers
- Directors (Director v Director)
- Other third parties
- Regulatory bodies (SFO, OFT, BERR, Customs & Excise, FSA, Trading Standards, Competition Commission – to name but a few)
- Liquidators & Receivers

New and Emerging Risks

Directors and officers are bound by complex legislation in the UK, including:

- **Companies Act 2006** – which alone lists over 200 offences for which directors may face prosecution
- **Corporate Manslaughter Act** – which hit the statute books in April 2008 and allows for the prosecution of individual directors

And if your company operates overseas, there’s a raft of further legislation including EU directives and US securities laws. If directors make frequent business trips to the USA, adequate D&O coverage must be in place to provide legal representation & **extradition protection** should they be detained by US authorities.

How does D&O insurance operate?

The policy reimburses directors and senior managers against claims made against them personally. In addition, the insurance can also protect the business where the company itself is joined in the action. Cover is also provided for legal fees, professional charges and expenses incurred by an insured person who faces formal investigation by a government body into their affairs or the affairs of their company.

Case Studies

- A competitor claims a board member has released misleading statements tarnishing their reputation. They issue legal proceedings against the company and the director individually for libel damages.
- An employee accuses a director of inappropriate advances after a business dinner celebrating clinching a large contract. The employee brings the action against the director personally.
- A share price plunge follows a profits warning. It is subsequently discovered there were numerous share disposals immediately prior to the announcement – all the directors face an investigation and the external shareholders sue for their losses.

To talk through your Directors & Officers insurance requirements, contact:

La Playa: Insurance with Intelligence

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