

Directors' and Officers' Liability Insurance

In an increasingly litigious society, individuals within your company are personally at risk of incurring financially crippling lawsuits. It is difficult to attract topflight talent when your corporate officers and board of directors are vulnerable to lawsuits that may arise from the very qualities you hire them for: initiative, vision, and pursuing strategic business strategies.

Directors' and officers' liability insurance (D&O) offers your individual directors and officers the protection they need from personal liability and financial loss arising out of wrongful acts committed or allegedly committed in their capacity as corporate (parent organization and subsidiaries) officers and/or directors. Most policies also cover the liability of the corporate entity itself if the liability arises out of a claim involving the purchase or sale of the company's securities.

Aon can help you design and implement a D&O insurance policy that fits with your business. In fact, Aon professionals first developed many D&O products that are now industry standard. Underwriters consistently recognize Aon as the preeminent brokering operation in the area of creative program design and coverage negotiation.

D&O Fills in Your Insurance Gaps

While your company is legally permitted to cover the personal liability costs resulting from activities performed on behalf of the company, this ability, called **indemnification**, may not apply to every situation. In some cases, the financial burden of the liability is the sole responsibility of the director or officer or other insured. The primary purpose of D&O insurance is to fill in these gaps, protecting the personal assets of the individual director or officer.

Even in cases where indemnification is available, most policies contain a second feature, **corporate reimbursement**, which will advance on behalf of your company, or repay, expenses or losses incurred by directors and officers.

Further, many D&O policies offer two additional extensions – protection for service by directors or officers of affiliated or unaffiliated entities who are serving at the organization's request or direction (terms vary significantly), and protection for personal liability relative to employment practices claims. In some cases, non-officer employees are also covered in such capacities.

Finally, publicly traded companies often purchase entity and non-officer employee liability protection in connection with security holder litigation. Privately held companies' D&O policies may also incorporate coverage for employment practices liability and broader entity liability exposures.

Most organizations, both public and private, can benefit from D&O insurance. Aon can help you decide whether a policy can benefit yours.

- [Do You Need D&O Insurance?](#)