

## **What can be Insured**

In a recent spate of litigation, a number of adverse court verdicts regarding the liability of directors and officers of companies to a third party were passed where the directors and officers were held personally liable for payment of compensation to the third party.

Ordinarily, the directors and officers are bound by duty towards the company itself, shareholders, employees, creditors, customers, competitors, members of the public, government and other regulatory bodies.

Any breach or non-performance in the duties can result in claims against the companies and/or its directors of the company by reason of any wrongful act in their respective capacity.

The Directors' and Officers' Liability Insurance policy has been designed specifically to meet any financial liabilities imposed upon them.

## **Suitable for...**

This policy is necessary for directors and officers of every company if they wish to avoid potential litigation owing to

- Failure of supervision.
- Inaccuracy in statements of financial accounts.
- Lack of judgement and good faith.
- Mismanagement of funds.
- Mis-statements in prospectuses.
- Allotment of shares.
- Unauthorised loans or investments.
- Failure to obtain competitive bids.
- Imprudent expansion resulting in a loss.
- Using inside information.
- Unwarranted dividend payment, salaries or compensation.
- Misleading statements filed with the stock exchange.
- Misrepresentation in acquisition agreement for the purchase of another company.
- Wrongful dismissal of an employee.

## **Risks covered**

This policy covers all claims made in event of

- Mergers, takeovers and divestment.

- Liquidation.
- Changes in control of shareholding.
- Share issues.
- Shareholder claims.
- Misdeeds of co-directors.
- Trustee accountability and responsibility.
- Customs and excise allegations.
- Administrative liabilities.
- Termination of employment.
- Disposal of old firm/ entry of new owners.
- Miscellaneous litigation.

#### **Compensation Offered**

The extent of indemnity being severely restricted by the Companies' Act will reimburse the extent of legal costs expended only if the Director/ Officer successfully defends the act taken against him.

Also, coverage is available on a 'claims made' basis and applies only to claims made against the Board of Directors during the policy period, irrespective of when the wrongful act occurred.

The cover applies to

- Liabilities arising from any claim made against Directors and/ or Officers of the company by reason of any wrongful act in their respective capacity.
- Liabilities against the company where it is required to indemnify the Directors/ Officers pursuant to common or statutory law provisions or Memorandum and Articles of Association.
- The company and its subsidiaries that are under the common control of the Directors/ Officers.

#### **Exclusions**

- The policy will not pay for the losses arising from any claim.
- Prior and pending litigation and claims submitted under previous policies.
- Bodily injury, sickness, disease, emotional distress, death, damage or destruction of tangible property including loss.
- Insured v/s Insured. viz. Directors suing each other.
- Illegal personal profit and remuneration.

- Deliberate, dishonest or fraudulent acts.
- Pollution and/ or contamination.
- Insider trading.
- Outside directorship (can be covered with specific information).



source : Insuremagic