

Ensure Your Board of Directors & Officers are Adequately Covered from Unexpected Lawsuits

If you are considering joining a board or are already on one, there are a few things you should understand about risk and liability. Whether you are involved in a non-profit, a soon to be or already established public company, or a private company, it is important to know that directors and officers can be held personally liable for costs directly related to lawsuits for claims made against them. What is there to protect you?

Typically a gap is left unfilled that can directly expose the personal assets of directors and officers. Legal action against companies and their officers is on the rise. Lawsuits average over \$1 million, and are most typically filed for non-compliance with laws and regulations, as well as negligence and poor administration or lack of controls. Also claims are commonly filed after

well scripted Directors and Officers liability policy, (D&O). However more often than not, even if the policy exists, the exclusions are worded heavily in favor of the insurance company and not the client.

“...one event, whether related to your directors and officers or not, could erode the insurance protection and leave those individuals, and their personal assets, completely exposed.”

Most organizations don't understand that a gap exists on a standard D&O policy, and what they can do to fill it. There are three standard insuring agreements that almost

every D&O policy will have. They are referred to most commonly as Side A, B and C, and vary according to whether they cover the board members, the company, or both. (For a more detailed explanation on the Side A, B, and C options, go to www.D-and-O-coverage.com.) Primary D&O policies which contain insuring agreements

A, B and C can be as long as 90 pages in length. Why? Because the insurer will define their coverage up front, and then spend the bulk of the pages on what they don't cover. It doesn't take long to realize...

Less is truly more in this case. A shorter and simpler old school policy called a Stand

Alone Side A policy, or a Side A DIC, is worth serious consideration. For a fraction of the cost of your standard D&O policy, a Side A DIC policy takes a true belts and suspenders approach to protecting the board. It removes the rescindable language, strengthens severability, survives bankruptcy courts and just plain protects your Ds and Os. It has one function and it does it well. This policy, unlike the standard D&O policy of today, has very few exclusions and only a few pages that define the very clear intent of the policy.

Have you fulfilled your duty to protect your Directors and Officers? If your management liability insurance program doesn't currently have a dedicated Side A DIC policy, we recommend having an evaluation done. Most folks who have sat on a board know how important it is to have your insurance broker give an annual overview and explain not only the coverage you do have, but more importantly, where you have potential gaps. Remember less is more in D&O insurance and you have an obligation to understand your open ended liabilities and protect your Directors and Officers.

The Partners Group can provide a free risk assessment of your management liability policies, and even present those findings in person to your board. Contact us at: communications@tpgrp.com.

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Old School Protection in a Modern World

quick and unexpected drops in share prices, where directors and officers are accused of withholding information that should have been disclosed to shareholders. Some claims go to trial, and most are settled beforehand with the settlement costs paid by the D&O insurers. Hopefully you have a