



# DIRECTORS AND OFFICERS LIABILITY INSURANCE AT A GLANCE

## What is D&O Insurance?

Directors and Officers Liability Insurance (D&O insurance) policies are designed to cover the costs of any compensation claims made against the directors of a business. It also covers managers (referred to as officers). If a claim is made against a director or key officer, then D&O insurance can help protect that business from the financial fallout of alleged wrongful acts. That's because D&O insurance protects the personal assets of those directors and officers, as well as their spouses. If a director or officer is personally sued by an employee, supplier, customer, or even investors or competitors, then D&O insurance gives them the financial protection they need.

Some examples of wrongful acts that may result in being sued include:

- Breach of duty
- Misleading statements
- Wrongful trading
- Misrepresentation of company assets
- Misusing company finances
- Fraud
- Non-compliance with workplace safety laws
- IP theft

D&O insurance protects the company as much as the directors and officers. These policies will generally cover legal fees, settlements, and any peripheral costs caused by the claim.

## Why is it needed?

Any company that has a single director or board, as well as key managers, should consider making use of D&O insurance. That's because these are the people in an organization that have a clear set of specific duties relating to their role. In instances where a director or officer is found to have performed duties outside of their remit, then they can become exposed to the threat of litigation. Being able to cover the cost of defending against these claims is vital. Failing to have the right insurance policy in place leaves directors and officers exposed to:

- Disqualification from their position (and a restriction on taking up similar positions in the future)
- Civil proceedings, their subsequent legal costs and any awards
- Criminal prosecution

This means that it's not just public companies that should invest in D&O insurance. Public, private, and even non-profit companies that have directors will all face the same risks of litigation. There's a misconception that only large corporations need D&O insurance. The fact is that SMEs that have fewer assets are even more vulnerable to the damages of legal claims, and D&O insurance is an important resource for improving protection.

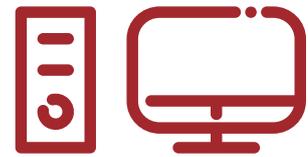
## Did You Know?

# X2

Nonprofits file more than twice as many claims for D&O insurance than both private and public companies.

# #metoo

Data breaches have become one of the leading causes of D&O liability claims since 2018. Sexual harassment claims are also on the rise, considered to be a result of the impact of the #metoo movement.



The tech and biotech sectors are the ones that are under increasing risk of D&O compensation claims. Businesses in these sectors face more technology-based risks than other sectors, and D&O policies should be a priority.

## What can it cover?

Claims against directors or officers can come from a variety of avenues. These include a variety of claims from:

- Regulators/Shareholders/Investors (these claims tend to be the result of not acting in the best interests of a company)
- Creditors
- Employees and ex-employees
- Suppliers

D&O policies also allow for protection against GDPR breaches and the process of insolvency. As well as these broad coverage areas, D&O policies also cover employee discrimination claims.

## What isn't covered?

If a claim is being made specifically against an organization, then D&O policies will not be affected. That's because D&O insurance coverage will only cover those people being claimed against as individuals. Neither illegal acts or illegal profit-generation are generally covered by D&O policies.



## PROFESSIONAL LINES

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