



# Directors and Officers Insurance (D&O) or Management Liability Insurance

**Directors and Officers (D&O) Insurance offers financial protection to individuals who are directors, partners or officers (managers/supervisors) of a company for the cost of compensation and claims made against them for alleged wrongful acts occurring during the course of running the business.**

**It is sometimes referred to under “Management Liability Insurance” which often includes D&O Insurance as well as the company/entity also being protected, and/or Employment Practices Liability, more details of which are described over under “Associated covers”.**

## Why do you need the cover?

Many people mistakenly believe that as a director of a limited company, they have no personal liability with regard to their corporate actions, but this is not the case. Holding a corporate position brings with it certain responsibilities that extend to employees, members of the public, investors and shareholders and regulators. It can also expose individuals to personal liability for the actions or omissions they make in the performance (or non-performance) of their company/corporate duties.

This means that directors, partners or officers can personally be the subject of claims which could lead to the payment of fines, compensation or imprisonment. If a claim is made against a director as an individual, they could personally be liable or accountable for damages and legal costs.

Whilst companies are protected via corporate insurance policies they hold, individuals within a company are often left unprotected, particularly if they have acted without proper authority or breached any aspects of legislation, however inadvertently.

Individuals are coming under increased scrutiny to act in the best interests of their company and to comply with any strict statutory duties. Claims against individual directors, partners or officers arising out of their day to day company activities continue to rise.

Personal claims or proceedings against directors, partners or officers can arise from any decision made, or any act carried out in the workplace, however innocuous it may have seemed at the time. These can range from frivolous and occasionally malicious claims made by disgruntled customers who weren't happy about the service they received, all the way through to official investigations.



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## How might a claim arise?

Claims can arise out of:

- A breach of duty or trust
- Neglect
- Defamation
- Misleading statements
- Wrongful trading, i.e. section 214 of the Insolvency Act 1986
- The operation or administration of a pension or employee benefit scheme
- Pollution

Examples of legislation in which civil, criminal or regulatory proceedings can be brought against a director include: Companies Act 2016, Environment Act 1995, Wildlife and Countryside Act 1980, Insolvency Act 1986, Employment Rights Act and the Equality Act, Defamation Act 2013, Criminal Finances Act 2017, Modern Slavery Act 2015, etc.

A D&O policy protects your personal wealth, or that of any other insured directors, partners or officers, for defence costs incurred during a claim and awards (compensation to third parties) made against you.

## Associated covers

### Employment Practices Liability (EPL):

Provides cover for employment claims including wrongful dismissal, discrimination and harassment from employees or third parties. EPL covers the costs of defending claims made against the company/entity and/or its directors, officers or employees and also includes awards made, as well as agreed settlements.

## D&O claim examples

- Claims by investors or other shareholders (including other directors) who blame directors personally for their investment losses.
- Defence costs, compensation and fines payable as a result of a health and safety claim from an injured employee.
- Actions brought by liquidators where they suspect wrongful trading or incorrect payments to creditors.
- Actions brought by HMRC where insolvent trading or misappropriation of tax payments is suspected.
- HSE investigations where negligence is suspected and procedural breaches have occurred, where a managing director was prosecuted for Corporate Manslaughter.
- Police and SFO investigations where fraud is suspected
- Actions brought by shareholders following a takeover against a company's former directors, with allegations that the shareholders were misled about the terms of the acquisition.
- Defence costs and awards of claims arising from a director's personal involvement with the administration of a company pension.
- Proceedings against directors brought by the Environment Agency, following a spillage of a pollutant.

### Corporate legal liability/entity defence:

This provides cover for claims from shareholders, investors, regulators and other third parties against the company/entity itself (as opposed to purely the directors'/officers' own liabilities). It includes any awards made, however it does not cover fines or penalties.



## Who to Contact at Arlington

If you would like to find out more about how you can protect yourself and your business with D&O/ Management Liability insurance, please get in touch with us:

**London clients:** Andy Wright or Tony Housden on 0207 292 6011 or 6018

**Bristol clients:** Anna Lloyd or Verena Cole on 0117 387 8880

Or email us at [info@arlingtoninsuranceservices.com](mailto:info@arlingtoninsuranceservices.com)