



DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Directors and officers are responsible not only to their company, but also its shareholders, its employees, its creditors and to the public. They need to act within powers of the company's constitution and properly exercise those powers.

They should promote the success of the company for the benefit of its members as a whole. The interests of the company's employees must also be taken into account, as must the impact of the company's operations on the community and the environment.

Directors and officers of the company must exercise independent judgment, reasonable care, skill, due diligence and avoid conflict of interest.

Directors and officers can be held legally liable for failures and civil action can also be taken against them.



DIRECTORS' LEGAL LIABILITIES CAN ARISE FROM:

- › Negligent advice or misstatement.
- › Acts outside the company's constitution, such as unauthorized payments.
- › Failure to disclose conflicting interests.
- › Errors of judgment.
- › Negligent supervision.
- › Irresponsible investments.
- › Directors' and officers' policies are structured into two parts:
 - › *Directors' and officers' liability: cover for the directors and officers in their personal capacity when they are unable to claim an indemnity from the company, and*
 - › *Corporate reimbursement: cover to protect the company in circumstances where it is permitted to indemnify the directors or officers, such as the repayment of legal defense costs.*
- › Cover is usually on a 'claims made' basis, which means that the policy covers all claims notified to the insurer or the insured during the period of insurance.
- › Past, present and future directors are covered.
- › Cover is subject to an annual aggregate limit of indemnity.

OPTIONAL EXTENSIONS

- › Representation at investigations and examinations.
- › Extended discovery period.
- › Securities claims.
- › Employment practices claims.
- › Outside directorships.
- › Employees whilst acting in a managerial or supervisory capacity.

MAJOR EXCLUSIONS

- › Circumstances known (or which ought to be known) prior to cover commencing.
- › Prior and pending litigation.
- › Bodily injury and property damage.
- › Pollution and contamination.
- › Claims based upon improper personal gain by a director.
- › Fraud or dishonesty of a director.
- › Computer date recognition.