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# Director & Officers Liability Insurance Policy Wordings

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## Introduction

Directors and officers of a hold a position of trust are responsible towards the company, the shareholders, the employees, and the public at large. They may become liable to pay damages in scenarios such as the following:

- Mis-statement in prospectus
- Inaccurate statement of financial conditions
- Errors in annual accounts
- Conflict of interest
- Lack of judgment, diligence, good faith
- Mismanagement of funds
- Unfair allotment of shares
- Using insider information
- Unwarranted dividend, salary, compensation payments
- Unfair dismissal of an employee

Our Directors and Officers Liability policy protects the personal fortunes of individual directors and officers, in respect of personal liabilities arising out of their wrongful acts like breach of duty, breach of trust, neglect, error, misstatement or misleading statement.

## **Salient Features**

- Former, present, future directors are all covered. (All wrongful acts committed or alleged to have been committed).
- Parent company and existing subsidiary companies covered
- Defence costs payable (even in alleged criminal cases, if directors and officers are finally acquitted)
- Cover on claims: wrongful act committed or alleged to have been committed and all liability reported during the period covered

## **Sum Insured**

The policy is a subject to the terms and conditions, advance defence costs and allows for settlements / judgements / awards against insured persons for their wrongful acts.

The insurance policy has two coverage clauses:

- Legal liability towards claims made against the Insured Person (s) to the extent not indemnified by the Insured Organisation
- Reimbursement to the Insured Organization on account of indemnification to each Insured Person. The policy additionally covers heirs, estates & legal representatives and spousal liabilities.

## **Premium**

Premium chargeable depends on the:

- Limits of indemnity
- Industry of the proposer

- Management perception to various stakeholders
- Capital structure of company: Source of Shareholder funds - Foreign v/s Domestic exposure, Debt structure
- Credit rating of the company to honour future financial commitments
- Clientele of the proposer
- Annual turnover
- Auditors of the company
- Information gathered about the company from public sources

### **Significant Exclusions**

This policy does not cover:

- Liability for criminal wrongs
- Fines and penalties for civil wrongs
- Prior or pending litigation
- Suits or arising from person who is a major shareholder
- Bodily injury/ property damage · Infringement of intellectual property rights

### **Main Extension**

- Crisis Communication Cover
- Risk Management Extension
- Pollution Defence Costs Extension
- Extended reporting Period
- Auto inclusion of new subsidiaries