

## Directors and Officers Liability Policies

*Are you the director or officer of an organization? Make sure your organization has the insurance coverage it needs. Protect against personal loss.*

If someone makes a claim against a company, the directors and officers of that company are also typically named in the lawsuit. This is where directors and officers liability policies (D&O insurance) comes into play. D&O policies are designed to protect against personal losses in the event that the covered individuals are personally sued because of their actual or alleged wrongful acts in managing the organization. D&O policies typically cover legal fees and sometimes settlement costs.

According to "Corporate Governance: Principles, Policies and Practices," by Robert Ian Tricker, "D&O policies pay for actual or alleged wrong decisions, what policies call wrongful acts...any actual or alleged act or omission, error, misstatement, misleading statement, neglect or breach of duty by an Insured Person in the discharge of his/her duties." Organizations, regardless of size, often purchase D&O insurance to protect their employees.

### TOP ISSUES TO CONSIDER

**D&O policies can be used to protect against several types of claims that allege wrongdoing, such as:**

- Stealing a company's intellectual property
- Misrepresentation
- Improper use of company funds
- D&O insurance **will not cover** actual losses due to these items; i.e., actual stealing.

These policies will only protect/indemnify against allegations if no actual wrongdoing occurred. When a party takes legal action against a company, directors and officers are generally held responsible. For coverage to apply, it must be determined that mismanagement occurred and created losses, they did not abide by regulation, or they failed to provide a safe workplace.

### **Know what is not covered under your D&O policy.**

D&O policies do not cover illegal activities like fraud. They also do not cover personal profiting, bodily injury, or property damage.

## **WHAT YOU SHOULD KNOW**

D&O policies often provide protection against different avenues of claims. It is important to understand the types of coverage provided under your policy. Below are some typical coverages you may see:

- Protection for a company's directors and officers when the company can't compensate those individuals for losses; this typically covers legal defense costs and settlements
- Reimbursement to the company when it compensates directors and officers for losses
- "Entity coverage," which protects the company if both the organization and its officers are named in a lawsuit
- D&O insurance can also protect against shareholder lawsuits.

## **TOP THINGS TO REMEMBER**

- Your company's general liability insurance policy may not cover you as an individual. D&O insurance protects the personal assets of corporate directors and officers if they are sued.
- You can be sued individually and separately from your company. You may need D&O coverage to pay for legal fees in your defense, even if you are not guilty.

## **MORE INFORMATION**

If you have questions or concerns about insurance-related matters, contact the Nebraska Department of Insurance locally at 402-471-2201 or on its toll-free consumer hotline at 1-877-564-7323. Additional insurance-related information may be obtained from the Department's website at [doi.nebraska.gov](http://doi.nebraska.gov).