

10 reasons for directors & officers insurance

“Isn’t directors & officers insurance only for those running publicly traded or very large businesses?”

“I’m never going to be in the position where I could be sued by one of my employees or stakeholders.”

“It’s just too expensive to consider on top of all of my company’s other insurance costs.”

These are common misconceptions when considering directors & officers (D&O) cover.

Here are 10 reasons your clients may need D&O insurance.



01 Employment practice claims remain a large threat to directors

In an increasingly litigious society employment practice claims such as sexual harassment or wrongful dismissal can result in astounding settlements.



02 SMEs are just as vulnerable as large companies

SMEs are not exempt from D&O claims, they face exactly the same risks and regulations as their larger peers, but often do not benefit from in-house HR or legal teams.



03 Directors' personal assets are at risk

If a director has been accused of breaching their duties, they are personally liable to defend the claim. Their personal assets are potentially at risk if they do not have adequate D&O cover.



04 Investigations by regulators are getting more and more common

Investigations and fines imposed by a regulator or body such as the Health & Safety Executive are one of the primary drivers of claims in the current UK business climate.



05 Defending a legal action can be costly

Legal costs for defending allegations against the company or one of its directors can often run into tens of thousands of pounds.



06 Your investors can sue you

If investors lose value in their shares as a result of a director or company's alleged misconduct they could seek compensation via the courts.



07 Protection in case of bankruptcy or insolvency

If faced with bankruptcy or insolvency, creditors may pursue legal action against directors if they feel that they have not acted in their best interests.



08 D&O claims are NOT covered under any other liability policy

A common misconception is that alleged misconduct by directors or companies is covered under other liability policies such as Professional Indemnity.



09 D&O insurance is more affordable than ever

A D&O policy can cost from under £500 per year, yet the total cost of a D&O claim can run into hundreds of thousands, if not millions of pounds.



10 D&O helps attract talent

Not having D&O insurance in place may put off talented individuals from joining a company as they will not be protected.

Claims Example

An engineering company dismissed an employee for poor performance without following a fair dismissal procedure. The employee subsequently made a tribunal claim for unfair dismissal and an agreement was reached to pay the employee £50,000.

Claims Example

The director of a management consultancy is quoted in the press as making some derogatory remarks about one of its major clients, based on the information they held about them. As a result, the client sued the company and the directors alleging defamation and breach of confidentiality. The Information Commissioner's Office is investigating the company and the directors in respect of their data protection obligations.

These case examples are for illustrative purposes only and are not Allianz policyholders.