



Directors & Officers Liability Insurance: Not Just for Publicly Traded Companies Anymore

D&O Liability Insurance

What is D&O Insurance? Directors & Officers Liability insurance helps provide financial protection for the directors and officers of your company in the event they are sued in conjunction with the performance of their duties for the company. The most preferred D&O policies will also cover the acts of the employees. Think of Directors and Officers insurance as a management Errors & Omissions policy.

What does D&O cover? D&O Liability insurance usually includes Employment Practices Liability and sometimes Fiduciary Liability. The former involves harassment and discrimination suits and is where the majority of the exposure will likely be for most companies. D&O insurance is often confused with E&O insurance. The two are not synonymous. Errors and Omissions Liability is concerned with performance failures and negligence with respect to your product and services - not the performance and duties of management. It is sometimes a good idea to carry both D&O and E&O insurance.

Why does my company need D&O insurance? You may be thinking mine is a privately-held, family-owned business. Why do I need D&O Insurance?

- You need it because claims from stockholders, employees, competitors, suppliers, and clients might be made against your company and against the directors of your company. Many business owners assume that their General Liability or Commercial Umbrella policies cover D&O and EPL exposures which they do not.
- Directors and officers can be held personally liable for their own actions or inaction. Some will demand to be protected rather than have their personal assets at stake.
- Employment practices suits constitute the single largest area of claim activity under Directors and Officers Liability policies.
- Can your company bear the financial burden to defend a D&O claim? Forget guilt or innocence for a moment. If sued, who will pay the legal expenses? When damages are awarded, figures can skyrocket.

In conclusion, whether a family member or a long term employee, people are people. Employers are sued every day for everything from discrimination and harassment, to unfair business practices and breach of duty. No business, including a family owned business, is completely immune from liability. A Directors and Officers Liability policy, with Employment Practices Liability, is one of the best ways to protect itself and its directors and officers.

Please contact your Hibbs-Hallmark & Company account representative for more information.

Sincerely,

Gerald Barker, CIC

Vice President