

D&O insurance protects directors, officers and other people with managerial responsibility from legal and other costs they may become **personally** liable to pay as a result of litigation.

Why Do I Need D&O Insurance?

Legislation over the last few decades has made the position of directors and senior managers more onerous in that it has increased their accountability for their actions or inactions, and for that of others.

There are many laws now that regulate companies and their directors. In addition, 'no win, no fee' arrangements have increased the potential for claims to be made against a company and its senior management.

It is frequently misunderstood that a company having limited liability status protects its directors and senior managers from personal liability. It does not. In reality, a director's liability is potentially unlimited even to the extent of a charge on their salary if assets such as their home, cars and savings do not meet their liabilities.

Who Can Sue Directors And Senior Management?

There are many and varied groups of people or bodies who can bring actions, including:

- Regulatory bodies
- Employees
- Customers
- Competitors
- Suppliers
- Government departments or organisations, e.g. for health & safety, local authorities, HM Revenue & Customs, agencies for the protection of the environment and many more
- Contractors
- Creditors

What Kinds Of Actions Might Senior Management Be Personally Liable For?

- Employment disputes, including wrongful, unfair or constructive dismissal, harassment and wrongful discipline
- Involuntary, constructive or gross negligence, manslaughter and far reaching health and safety legislation
- Anti-discrimination regulations, including sexual, racial and age discrimination
- Wrongful trading i.e. trading in the knowledge the business is or will become insolvent
- Unpaid taxes where the company has become insolvent
- Bribery and corruption

Even if allegations are unfounded defence costs can be crippling, especially to smaller companies. Other legal costs, such as attendance at investigations into the affairs of the company, should not be underestimated.