

PERSONAL LIABILITY OF DIRECTORS & OFFICERS

Their Personal Assets are at Risk!

Whether your insured is a director or officer for a public company, private company or even a nonprofit organization, their personal assets are at risk if they are sued personally for actual or alleged wrongful acts in their management of the company or organization. Their personal assets include their cars, houses and bank accounts.

The directors and officers owe duties to the company and organization as well as to the shareholders and others. Their duties are:

- Duty of Loyalty – Act in the best interest of the company/organization and shareholders
- Duty of Care – Act in good faith, best interest of the company, prudent
- Duty of Obedience – Act within the corporate charter, obey laws, fulfill the mission, comply with statutes and regulations
- Duty of Disclosure – Make relevant information known about transactions or decisions, disclose any conflicts of interest, even if they may not have any bearing on transactions or decisions being made

Breach of duty can lead to very costly lawsuits to both the company and the directors and officers.

Directors & officers can be sued by the below, but the majority of claims come from those who are NOT shareholders:

- Clients
- Competitors
- Creditors
- Employees
- Government
- Shareholders

Claims can arise out of or during the course of:

- Breach of Duty
- Business Decisions
- Divestitures
- Failure to Comply with Laws
- Financial Loss or Bankruptcy
- IPOs
- Lack of Corporate Governance
- Mergers & Acquisitions
- Mismanagement
- Misrepresentations, Including Company Assets
- Misuse of Company Funds
- Reorganizations
- Secondary Offerings
- Shareholder Derivative Demands
- Violate Non-Compete



No one wants their personal assets at risk! Defense costs alone can be very costly. Make sure your insureds are protected by offering them D&O liability insurance. Contact one of our brokers today for help in protecting your client's personal assets with D&O coverage.

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