



DIRECTORS AND OFFICERS LIABILITY QUICK GUIDE

Why Buy Directors and Officers (D&O) Liability Insurance?

The directors and officers of a company bear the ultimate responsibility for overseeing and managing the business affairs of an organization. Executives are expected to adhere to a high standard of conduct while handling a wide range of governance issues, which can lead to substantial legal consequences in carrying out their responsibilities.

D&O coverage plays a vital role in protecting company executives and the organization. It serves as the cornerstone of risk management for leaders, focusing on protecting the reputation and financial well-being of organizations. This coverage addresses actual or alleged claims related to errors, omissions, misstatements, breaches of duty, or other wrongful acts committed by leaders.

Did You Know?

- Over 25% of private companies reported a D&O loss in the past three years, 96% of which were impacted negatively financially
- Civil court trials are typically set for 12 to 18 months after being filed
- Events that trigger D&O are broad and are often linked to cyber-related losses, financial disclosures, natural disasters, and more

How Can You Prevent D&O Incidents?

1. Know the requirements and regulations of corporate governance
2. Discuss business decisions with management teams and legal counsel
3. Encourage a culture where all directors and officers actively participate, ask questions, and share pertinent information
4. Partner with Sentinel to ensure comprehensive D&O coverage

How Is Sentinel Dedicated to Safeguarding Your Success?



With risks such as D&O, Sentinel readies your organization for any challenges that may arise. Our team possesses the expertise needed to provide effective solutions for managing and mitigating your D&O risk.



D&O Liability Claims Scenarios:

Scenario 1 – Misrepresentation

A company negotiated a large contract with a customer. The contract required financial and human resource assets to be in place to satisfy production and delivery requirements. The directors misrepresented the company's revenues and capabilities. After being awarded the contract, the company was unable to meet the agreed upon terms. The customer sued and the claim was settled for \$500,000 with an additional \$650,000 incurred in legal defense costs.

Scenario 2 – Breach of Fiduciary Duty

Creditors of a company in financial trouble and in need of capital sued its directors and officers for failure to identify, evaluate, negotiate, and secure the sale of company assets in a timely manner. This resulted in the company defaulting on its outstanding loans. The claim eventually settled for \$465,000.

Scenario 3 – Theft of Intellectual Property

A vice president left his firm to start his own company. His former employer sued him and his new firm alleging that he took certain corporate licenses to market proprietary software, resulting in unfair competition and trademark infringement. Total defense costs and settlement exceeded \$550,000.

Scenario 4 – Breach of Fiduciary Duty

A shareholder, who invested over four million dollars in a land management company, filed a complaint against the company and its directors and officers alleging breach of fiduciary duty, conspiracy, and fraud. He alleged that the company failed to make quarterly distributions, wrongfully transferred funds out of certain properties, and participated in sham transactions to the detriment of all shareholders. Settlement and defense exceeded \$1,200,000.

Sentinel's D&O Liability Resource:



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With over 20 years of industry experience, Cass leverages her extensive knowledge providing technical support to our clients in addition to program design and implementation of new coverages. She is driven in developing complex risk solutions for a vast variety of risk exposures while demonstrating a "client-first" approach.

CONTACT US TO LEARN MORE

Questions on your D&O coverage, rates, claims, or more? Call or email our team today!