

VÉZINA FLASH

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Directors' & Officers' Liability Insurance Covering the Financial Consequences of your Decisions

As a productive member of society, you wear many hats and assume numerous responsibilities. Every day, your personal and professional actions and decisions have an impact on your life and the lives of others, and they also have a potential for causing harm to those involved.

Most of these risks can be transferred to an insurer via various types of liability policies such as automobile, personal, professional and commercial liability coverage.

But did you know that, in your role as a director or officer of your company, you are personally responsible for the decisions that you or your board of directors makes or omits. Company directors are treated severely by the courts when they neglect or breach their duty of due diligence, loyalty or compliance. Can you or your company directly assume these responsibilities and liabilities?

The solution to this problem is found with the Directors' and Officers' liability insurance policy.

In the past, the Directors' and Officers' market was limited to a few insurers, but now many insurers offer D & O liability insurance with enhanced coverage.

This type of liability policy is designed to personally protect directors and officers for the consequences of their decisions. Essentially, these would be for the financial loss to others that may have been caused by these decisions, as well as for the legal costs incurred for the defence of the claim. This loss must arise out of a wrongful act performed within the scope of their duty as director and officer of the company.

For example:

- ◆ A company declares bankruptcy: the creditors sue both it and the directors for unpaid sums resulting from decisions made by the directors.
- ◆ It is alleged that the Employee Benefits Fund was poorly administered and the employees sue for financial loss.

This policy also covers losses or damages for which the company is obliged by law or company statutes or regulations to indemnify the directors and officers as well as for loss or damage arising out of the company's Employment Practices and for which the directors may be held responsible. A limit of coverage is provided to protect against professional negligence in the course of Human Resources activities.

For example:

- ◆ A retailer notifies his supplier to increase the order of a product but then decides to change supplier. The supplier sues the directors of the company.
- ◆ Following an unjust work performance review, an employee loses out on part of his bonus and a promotion. He takes action against his employer.
- ◆ On numerous occasions, an associate maliciously forces the office's interns to perform needless and fastidious demands. The interns file a complaint for psychological harassment.

The above are real life examples and situations. They could severely impact you, your management employees, the members of your board and, as you could be held personally liable for your defence and indemnity obligations, even your families! The defence costs alone could create an immense financial hardship to your company. Combine this with the time expended to personally and corporately deal with the consequences of the alleged wrongful act, and you can clearly see the ramifications for your enterprise. Once viewed from this perspective, D & O insurance rapidly takes its place as an essential element in your arsenal of insurance tools for the efficient long-term management of your bottom line.

For more information concerning this specific product or for any other questions you may have relating to your insurance or risk management requirements, we encourage you to contact your account executive at Vézina, whose knowledge enables them to offer you unsurpassed guidance for the choice of coverage that best meets your company's situation thereby protecting what counts most to you — the future of your company!

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