

[Directors Quiz]



**IS YOUR INSURANCE POLICY
WORKING AS EFFECTIVELY
AS YOU ARE?**

Take this simple test to check whether your insurance needs are being adequately addressed...

■ **1. You have been appointed to the board of a company that is embroiled in some high profile litigation and you are aware that defence costs are already in the millions. Where do you stand in the event of a new claim arising?**

A traditional D&O policy has directors sharing the limits of liability with their co directors and even the corporate entity. This means that as a director your protection may be eroded by existing litigation that you are not even involved in, leaving you exposed in the event of a claim.

The Directors' Personal Liability policy provides policy limits that are available for the exclusive use of the insured director, eliminating the risk of policy limits being eroded by other directors or litigation which you are not a part of.

■ **2. You are named in a lawsuit with three of your fellow company directors. They want to use the same law firm but you are not sure that your interests are the same and would like to appoint a different firm to represent you. Where do you stand?**

Depending which D&O insurer is involved, you may be obliged to use the same firm to save costs and the insurer may have the right to choose that firm.

The Directors' Personal Liability insurance allows the director to have his or her own separate counsel, chosen by the insured director.

■ **3. After twenty years as the director of a highly successful Australian manufacturing company, Widget Central, you decide to retire. Shortly after your retirement the company is purchased by a large multinational. The insurance program of Widget is incorporated within the new company's insurance program.**

It has a D&O policy with limits of US \$100 million and a deductible of US\$5Million. A disgruntled former competitor of Widget brings an action against you alleging deceptive and misleading conduct in your capacity as a former director. The new company refuses to indemnify you. Where do you stand?

Under a traditional D&O Policy, when a company refuses to indemnify a director or former director, even if it is obliged to at law, the insurer may insist that the deductible is still applicable. So much for your retirement plans! However the Directors' Personal Liability policy will offer "first point" individual protection for a director, or former director, irrespective of the fact that the company has refused to indemnify. Typically any deductible will also be far lower than that on a D&O policy to reflect the fact that the cover is designed for individuals.

■ **4. You have been sued along with a number of your fellow directors for alleged fraud relating to the sale of a subsidiary. The company has refused to indemnify you because of the allegations of fraud. How will your insurance policy respond?**

Some D&O insurers will not advance defence costs where there are allegations of fraud or dishonesty. If the company refuses to indemnify this may also mean that the director must fund the defence.

The Directors' Personal Liability insurance provides for advancement of defence costs. The fraud or dishonesty exclusion will only apply in the event of an admission or final adjudication on that issue.

■ **For more information about the Personal D&O or to obtain a proposal form, please contact your local broker.**

This brochure was prepared by Risk Partners Pty Ltd (ABN 52 115 516 955, AFSL 292 281).

The above are claims examples only. For full terms, conditions and exclusions please refer to the complete policy wording.