TOKIO MARINE
HCC

Private Company Directors and Officers Insurance

Directors and Officers (D&O) insurance provides financial protection to directors and officers of a company against claims arising from alleged wrongful acts in their capacity as leaders and decision-makers. This insurance covers defence costs and potential liability arising from legal or regulatory actions, including claims from shareholders, employees and other third parties.

A: Non-indemnified individuals	B: Indemnified individuals	C: Organisation/Entity CLL
Trigger Actions of directors and officers that are not indemnified	**Trigger** Actions of directors and officers that are indemnified	**Trigger** Actions of entity for claims
Pays On behalf of directors and officers	**Pays** On behalf of entity to fund indemnification	**Pays** On behalf of entity
Retention None	**Retention** Applies	**Retention** Applies
Side A: Protection of directors' and officers' personal assets	**Side B:** Corporate balance sheet protection for indemnification obligations to directors and officers	**Side C:** Corporate balance sheet protection for the entity for covered alleged wrongful acts of the organisation

Sources of private company D&O claims

Private companies face claims from a myriad of sources, including shareholders, creditors, customers, vendors and regulators. Allegations are similarly wide-ranging, including but not limited to misrepresenting financial condition, deceptive or anti-competitive trade practices, and violation of law.

Examples of exposures:

- Unfair dismissal – director is named personally in the unfair dismissal of an employee
- Redundancy – company required to defend itself at employment tribunals
- Customer data breach, leading to regulatory involvement
- Disrupted supply chains that impact sales
- Demand for financial damages following an alleged website copyright infringement
- Struggle to secure research and development funding and grants

Case studies

Insolvency

A boat builder went into liquidation with losses of approx. AU$1.5 million. Liquidators sued the directors for negligence due to the lack of accurate financial records.

A director was held liable for another director's illegal company loan, costing the 'innocent' director approx. AU$1.43 million plus legal fees.

Employment disputes

A medical manufacturing company faced a claim for unfair dismissal after an employee alleged bullying following protected disclosures. The claim, which included defence costs, exceeded AU$350,000.

Regulatory

The owner of a takeaway restaurant was prosecuted by the Food Standards Australia New Zealand (FSANZ) following the death of a customer from anaphylactic shock after eating peanut-contaminated food. The owner is charged with manslaughter by gross negligence after the customer's clear "no nuts" request. Ingredients weren't properly tracked or controlled, and standard ingredients had been switched for cheaper ones containing peanuts.

Health and safety

The director of a small retail company was prosecuted following an employee injury. The employee suffered serious fractures and crushing injuries to his leg after a large delivery he was attempting to move fell on him. The court hears that the director hadn't provided training on how to move heavy items and that proper equipment for the move hadn't been provided. The director faces a fine and legal costs.

Charities and non-profit

A donor was persuaded by the trustee of a charity to make a sizeable donation, which is made on the understanding it was for a specific purpose. When it became evident that the donation was being used to cover general costs of the charity, the donor decided to sue the trustee who elicited the donation.

About Tokio Marine HCC

Tokio Marine HCC is a leading specialty insurance group conducting business in approximately 180 countries and underwriting more than 100 classes of specialty insurance. Headquartered in Houston, Texas, the company comprises highly entrepreneurial teams equipped to underwrite special situations, companies and individuals, acting independently to deliver effective solutions. Our products and capabilities set the standard for the industry, as many of our employees are industry-leading experts.

More information about our financial strength here:

tmhcc.com/en/about-us

Contact us

London
The St Botolph Building
138 Houndsditch
London, EC3A 7BT, United Kingdom
Tel: +44 (0)20 7648 1300
Lloyd's Box 252, Second Floor

tmhcc.com

Tokio Marine HCC – Financial Lines

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