



CARSONRISK

DIRECTORS & OFFICERS LIABILITY INSURANCE – THE LEGAL POSITION

Senior executives within any business have usually achieved their position as a result of their skills, experience and knowledge of the sector.

Many directors don't realise though that if a fine is levied against them they can't charge it back to their company and that it will be a personal liability. It is vital to understand the legislation that applies to you in your role as director, and the implications of claims being made against you.

POSITION

As well as being required to be among the best in your field, by holding the position of director, you must also understand the legislation that applies to you and the duties and responsibilities it places upon you.

This legislation can cover a broad range of areas, including matters that may seem outside of their company's remit such as environmental damage, the protection of wildlife and defamation.

The legislation is also constantly changing, with the government's appetite for consumer protection putting further responsibilities onto directors' shoulders. Alongside more robust legislation, the world is also becoming increasingly litigious. Employees, shareholders, investors, creditors and other third parties know their rights and are much more likely to take action against a company and its directors.

Also, as business is increasingly becoming global with more and more companies establishing themselves internationally. While this can be good for business, it also leaves directors exposed to risks associated with the legislation and regulation in the jurisdictions in which they operate.

Staying on top of these responsibilities alongside carrying out the duties associated with their role, can be a significant challenge for today's directors.

PROTECTION FOR DIRECTORS

Given the risks faced by directors in the course of their work, protection is available. This ensures that, if a claim is brought against them, they will have access to legal representation and their personal assets will not be at risk.

PROTECTION

Directors & Officers Liability insurance (D&O insurance) is designed to protect a company's senior executives from the financial implications of legal action associated with their role, covering the cost of defending a claim and any compensation that is awarded.

It also provides access to expert legal advice, which can help to ensure a director follows the correct procedures as well as defending them against any legal claims brought against them. Taking advice as early as possible in a claim is required under a D&O policy and can significantly help to limit damages.

Policies will also cover the cost of investigations that may be brought against a director by a regulator or similar body.

Against a backdrop of increasing regulation and litigation, D&O insurance is a must for a business of any size. As well as indicating that it values its senior executives - and helping to attract high calibre directors - D&O insurance enables a business and its employees to focus on being successful.

If you would like to review the insurance needs of your Business, or if you are establishing a new business, please contact Craig Graves at Carson Risk on:

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