Directors and Officers Liability Insurance

From Chubb Executive Protection

When key decision makers navigate the company’s course, do they put their personal assets at risk?

In today’s evolving litigation environment, every corporate director and officer, whether their company is large or small, is a potential target for litigation. Company executives may be personally liable for the decisions they make, potentially resulting in devastating damages and expenses.

According to a study by Tillinghast Towers-Perrin:

- Nearly half of all claims made against directors and officers are made by shareholders.
- Nearly one-third of all claims are made by employees.
- Directors and officers of companies experiencing merger, acquisition, or divestiture activity are much more significantly exposed to claim potential.

Lawsuits brought against directors and officers by shareholders and employees—and even by customers, suppliers, competitors, and regulatory agencies—can result in serious financial loss. Such lawsuits can allege:

- Mismanagement of business.
- Self-dealing and conflicts of interest.
- Failure to deliver services.
- Failure to disclose information.
- Disclosure of materially false or misleading information.
- Violation of state and federal laws (e.g., anti-trust, tax).
The liability of business leaders in today’s changing world is a volatile area that demands a knowledgeable and experienced insurer that is comfortable dealing with complex and potentially severe legal challenges. Chubb, a worldwide leader in directors and officers (D&O) liability insurance, is able to offer a D&O Liability Insurance policy backed by outstanding claims service, loss prevention resources, more than 20 years of experience, and financial stability.

**A World of Risk. A World of Coverage.**

**CHUBB D&O LIABILITY INSURANCE PROTECTION FEATURES INCLUDE:**

- **Broad definition of insured persons**—Chubb’s D&O Liability Insurance policy insures executives, as well as their spouses or domestic partners if they are named as co-defendants by reason of that relationship.

- **Advancement of defense expenses** as they are incurred.

- **Entity coverage for securities claims**—Securities lawsuits against the directors or officers of a company are often brought against the company (or entity) itself, as well. Some insurers offer coverage for the entity as an option or not at all for securities suits, but our policy has entity coverage for these suits built into the D&O liability policy.

- **Loss payments made to insured persons before the corporation**—Directors and officers can face true personal economic hardship if ordered to pay damages. When losses currently payable under the policy exceed the available policy limit, Chubb’s policy pays these individuals first if their corporation has ceased to indemnify them, relieving them of this burdensome worry.

- **Co-insurance provision**—Customers who, at the time of policy purchase, agree to pay a specified percentage of any defense costs, settlements, awards, or judgments (in excess of the applicable retention) may receive a reduced premium (from standard rates), in exchange for their participation at the time of loss.

- **Policy limits up to $25 million are available.**

- **“Claims made” coverage**—We write our policy on a “claims made” basis.

- **Extended reporting period**—Whether our customer cancels the policy, or Chubb chooses to nonrenew coverage, our policy entitles the customer to purchase an extension of coverage for subsequent claims alleging wrongdoing prior to the cancellation or non-renewal.

- **Worldwide coverage**—Chubb’s policy reimburses covered losses that occur anywhere in the world.

**LOSS PREVENTION GUIDELINES**

Insurance coverage alone can’t fully protect corporate executives against their D&O liability exposures. That’s why Chubb strongly abides by the principle that an ounce of prevention is worth a pound of cure. Our D&O Liability Insurance customers have access to Directors and Officers Liability Loss Prevention and Directors and Officers Securities Litigation Loss Prevention, comprehensive guides prepared exclusively for Chubb by Dan A. Bailey, a leading authority on matters relating to D&O liability, litigation, and insurance.
Among the topics discussed in *Directors and Officers Liability Loss Prevention* are:

- Basic executive duties.
- Composition of board of directors.
- Board meetings.
- Delegation of certain functions.
- Conflicts of interest.
- Special D&O liability risks (such as securities law compliance and employment practices).
- Maximizing legal protections.

Realizing that the liability exposures of publicly traded companies require additional attention, *Directors and Officers Securities Litigation Loss Prevention* examines the complexities of securities laws and recommended disclosure procedures. Topics include:

- General securities law compliance.
- How to qualify forward-looking statements.
- Dealing with analysts.
- Internet disclosures.

As part of a solid corporate governance program, *Directors and Officers Liability Loss Prevention* and *Directors and Officers Securities Litigation Loss Prevention* can help a company’s executives develop awareness of the myriad risks that they face. With this mindset, executives are more likely to exercise proper caution—and thereby help manage their D&O exposures.

**THE CHUBB ADVANTAGE**

Chubb has earned its leadership position in the D&O liability insurance marketplace by consistently providing broad coverage, superior service, outstanding expertise, and unflinching commitment to helping companies solve their executive protection problems. In particular, we stand apart from other insurers in numerous key areas:

**Financial stability**—Our financial stability and ability to pay claims rate among the best in the insurance industry, as attested by Standard and Poor’s and A.M. Best Company, two of the leading insurance rating agencies. Agents, brokers, and prospective customers often seek out our services because our reputation in the market is well known.

**Innovation**—We’re not afraid to tailor our product to meet a customer’s specific needs. Typically, our insurance products include enhancements and specific coverages that are missing or even excluded from other policies in the industry.
Experience and expertise—We have more than 20 years of experience insuring the complex risks of corporate business leaders. Our depth of understanding of directors’ and officers’ roles and exposures allows us to provide bold, clean, broad coverage that stands out in the market. Our worldwide presence means a company’s management leadership has a trusted ally no matter where the company does business.

Commitment to customers—We underwrite selectively because we strive to build strong business partnerships with our customers over time. We provide comprehensive D&O liability insurance that is built to last and designed to protect customers when they need that protection the most.

Claims philosophy of fairness—Our claim examiners are experienced in D&O liability matters and are committed to a high level of professionalism, open dialogue, and the amicable resolution of disputes whenever possible. Our philosophy is one of cooperation and partnership with producers and customers to provide both a vigorous defense against meritless claims and appropriate settlements where warranted. Our reputation for expert, fair claims handling is renowned in the industry.

DON'T TAKE A CHANCE

Litigation over the actions and decisions of corporate leaders can last for years and cost millions of dollars. Ultimately, this financial burden can become the personal responsibility of those individuals.

Don’t take any chances. Turn to Chubb, your trusted executive protection ally. Chubb works with customers, both with loss prevention services to help prevent claims and with insurance should claims arise. Executive Protection Portfolio D&O Liability Insurance from Chubb is available through your trusted Chubb-appointed agent. For more information, contact your agent or broker, email csi-info@chubb.com, or look on the Internet at http://csi.chubb.com.

Executive Protection Portfolio is a comprehensive insurance solution from Chubb, specifically designed to help publicly owned companies cope with potentially devastating threats to their financial well-being. With Executive Protection Portfolio, companies have choice and flexibility in managing their most complex and catastrophic exposures. Coverages include Crime Insurance, Directors and Officers Liability Insurance, Employment Practices Liability Insurance, Fiduciary Liability Insurance, Kidnap/Ransom and Extortion Insurance, and Outside Directorship Liability Insurance.

1 All numbers come from Tillinghast Towers-Perrin's 2001 Directors and Officers Liability Survey.