



## Directors and Officers Liability Insurance



# Your actions may have consequences...

## That lead to lawsuits

Recently the threat of personal litigation has increased at an alarming rate and the trend shows no sign of slowing as new laws are passed, both around Asia and internationally. The problem you face is keeping up with the foundation of possible litigation – a major difficulty given an ever-increasing source: shareholders, employees, environment groups, regulatory bodies, creditors, banks, customers and suppliers.

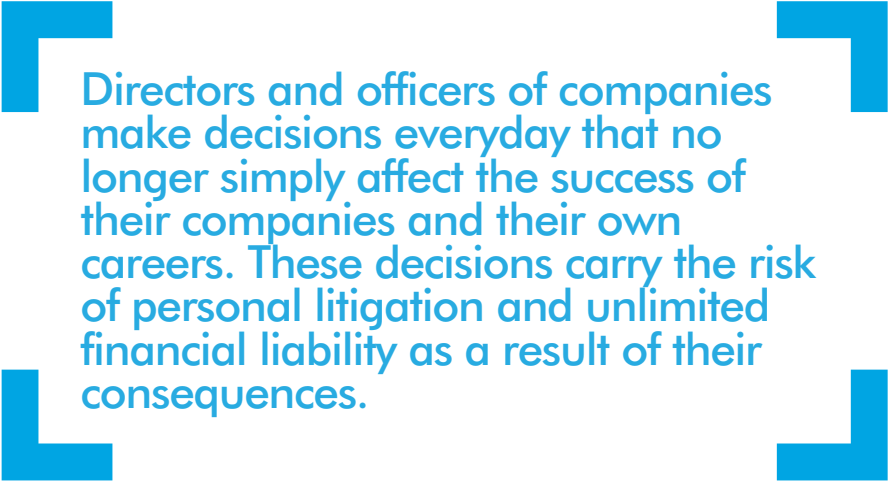
## From all directions

And that's not all. As markets widen, corporate management is exposed to local jurisdictions where products are sold or services provided. In the case of North America in particular, this means both an exponential increase in the likelihood of litigation and also in the financial consequences of such litigation.

## We can help

We recognize your need to provide comprehensive insurance cover for directors and officers. Our Directors & Officers Liability and Company Reimbursement Insurance offers executives protection from the financial consequences of acts, errors or omissions, including securities and employment practices claims, made in the course of their past, current and future business activities.

A significant advantage of our Directors & Officers Liability and Company Reimbursement Insurance is that extensions are available on request to provide cover for the company in securities and employment mismanagement claims. This has special relevance to publicly listed companies where securities claims can have a significant effect on a company's finances or even threaten its existence.



**Directors and officers of companies make decisions everyday that no longer simply affect the success of their companies and their own careers. These decisions carry the risk of personal litigation and unlimited financial liability as a result of their consequences.**



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against directors and  
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# Actions against directors come from....

## Employees

After repeated warnings regarding absenteeism and poor performance, an employee takes a director and a department manager to court – alleging unfair treatment.

## Regulators

The securities and futures commission launches an investigation into two bank directors after allegations of insider trading. In order to counter these allegations a comprehensive defense case must be conducted, incurring considerable costs.

## Suppliers

A supplier initiates litigation proceedings against a director who has allegedly made the company breach a contract by failing to procure the company's payments for goods received or services provided within a specified period of time and this leads to the supplier incurring financial loss.

## Customers

A customer sues the Director of Marketing and Sales after advertising materials approved by the director provided incorrect pricing details of the product range.

## Directors

A former Chief Financial Officer is made redundant after the merger of two companies. The Chief Financial Officer sues the current Chief Executive Officer alleging bad faith and wrongful termination.

## Shareholders

Following a restatement of past earnings, the share price of a local company with a U.S. listing fell and this was investigated by the U.S. Securities Exchange Commission. As a result several shareholders filed a derivative class-action lawsuit in the U.S.

### Main areas of exposure

- Suits by shareholders
- Employee actions
- Suits by regulatory bodies
- Suits by customers

### Shareholders

- Prospectus contains an untrue statement of material fact or misstated a material fact
- Prospectus fails to state a material fact required to be disclosed
- Failure to maximize shareholder's value
- Failure to act in the best interest of the company / shareholders
- Breach of fiduciary duty

### Employees

- Wrongful termination
- Sexual harassment
- Employment related defamation

### Regulatory Bodies

- Failure to comply with listing requirements and regulations, especially with regards to corporate governance initiatives
- Failure to operate facilities in a responsible manner – e.g. employees' health and safety or pollution
- Allegations of not acting in the best interest of shareholders but for personal profit or advantage i.e. insider trading

### Customers

- Breach of contract
- Unfair trade practices

**The chance of litigation increases in frequency following merger and acquisition activity and company liquidations.**

### Who is exposed?

**In Asia, the sources of litigation against directors and officers are wide-ranging and on the increase. All directors and officers involved in the management of any company are personally exposed. This insurance is not only applicable to publicly listed companies, but also to private and non profit organizations.**

### How are they exposed?

As a result of corporate governance reforms and initiatives, companies, their directors and officers are subject to more public scrutiny.

The frequency of litigation increases during and after



merger and acquisition activity and company liquidations. Employee actions against directors also constitute a frequent source of claims in the areas of racial discrimination, sexual harassment and unfair dismissal.

### What are the consequences?

Defending and settling these cases can be extremely costly with legal fees potentially running into millions of U.S. dollars. And there is the time element to consider: most cases may take several years to complete and unless adequately protected, a company's financial position can be adversely affected.

### We understand this

We fully recognize the need to protect your directors and officers from such exposure. We know the importance of providing the best management liability protection possible. Our history, experience and industry leadership combine to provide the most innovative and extensive insurance for your directors and officers.

## The benefits

- **Advancement of defence costs**

Such costs are advanced prior to the final resolution of a claim. The insured shall also have the right and duty to defend claims which are made against them. The insured has the right to appoint the lawyer of their choice to conduct their defence subject to the insurer's prior consent.

- **Broad definition of "Claims" and "Wrongful Act"**

Definition of Claim includes any suit or proceeding, criminal prosecution or any administrative or regulatory proceeding directly related to Wrongful Act of a director or officer.

Definition of Wrongful Act includes any actual or alleged breach of duty, breach of trust, negligence, error, misstatement or misleading statement.

### Subsidiary coverage

We provide automatic coverage of a newly created or acquired subsidiary after the inception date of the policy, subject to pre-agreed criteria.

### Associated Company Coverage

We provide an automatic Outside Directorship Extension of coverage for associated companies, and non-profit making entities.

### Securities claims against the company (optional extension)

Coverage can be provided for claims made against the company arising out of the sale or purchase of the company's own securities. It also covers claims by minority shareholders alleging that the company has acted wrongfully in respect of the sale or purchase of their shares.

### Heirs, estates and legal representative extension

If an insured dies, is rendered incompetent, insolvent or bankrupt, the policy covers loss arising from any claim made against the estate, heirs or legal representatives of the insured for any wrongful act of such insured.

### Jointly property liability extension

An extension may be provided to protect the insured's matrimonial property or property jointly held by the insured and the spouse from claims for harmful act.

#### IMPORTANT NOTE:

1. The availability of coverage is subject to underwriting assessment upon receipt of an application.
2. Availability of coverage and the terms and conditions thereof may be subject to regulatory approval and/or underwriter's determinations.
3. The terms and conditions available may vary depending upon the location of the applicant.
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