



“Director and Officer Liability Coverage”

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Director and Officer (D&O) liability insurance is commonly purchased by the corporation to protect the directors and officers of the corporation from liability. Although D&O insurance covers several things, the main risk D&O insurance is designed to protect against is the risk of claims brought by the shareholders against the directors and officers of a corporation.

As a director or officer, you should have as much coverage as you can get. This means that your company should purchase coverage for you, but also you can purchase additional coverage for yourself for added protection. Added protection may come in handy if your company goes through a turnaround, especially if it does not end well.

This is very critical when it comes to times of business failure and business turnaround. At these times, you can inadvertently take actions that could come back to harm you legally. You may believe that you are doing what is best for the business, only to find out later that you did something wrong and are being charged for it (civilly or criminally). In a non-turnaround scenario, D&O will protect you against such things as employment discrimination claims, so it is a must for any company owner or corporate director or officer.

As a corporate officer or director, the corporation may be obligated to indemnify you against certain claims made against you for the actions you take in your leadership role, but even if this is the case, you cannot be certain—especially in a turnaround situation—that your company will be strong enough or that it will have the required resources to do so. In this situation, D&O liability insurance can act as a safeguard to protect you.