

EXECUTIVE RISKS

Directors and Officers Insurance

Coverage that actively protects your company, executives, and leaders



Directors and officers can be a litigation target from countless stakeholders — putting their personal assets at risk. This means executives can be held personally liable for mistakes that affect the company, its customers, and employees. These types of risks are a part of doing business, but personal loss is not. That's why companies are investing in Directors and Officers (D&O) insurance.

The types of claims D&O covers include the lawsuits stemming from managers, directors, and other

company leaders' actions and decisions. It protects individuals involved in financial mismanagement, breach of duty, or even criminal allegations with specific claims ranging from unfair trade practices to securities law violations.

Company leaders may also face event-driven litigation, which can stem from public perceptions that a company isn't diverse enough, environmentally friendly enough, or a safe enough workplace.

Nearly half of small businesses said they didn't intend to purchase D&O because they are too small to need it.

This is a common (and pricey) misconception.

Small businesses need to protect their executives and board members from claims made against them

According to a recent Coalition survey*, more than 3 in 5 businesses bought insurance coverage specifically as a result of COVID-19. The problem is that small businesses are having trouble finding coverage that works for them. Roughly 1 in 3 businesses surveyed said they weren't able to fully buy insurance that covers D&O, but a surprising 67% of those businesses plan to invest in D&O in the future. D&O insurance enables company leaders to make decisions on behalf of the company without fear of personal loss from legal claims. This protection also helps attract and retain high-quality directors and officers. As a result, D&O insurance should be part of every companies' risk management program.

*A survey of 1,000 senior executives at companies with 1-250 employees by Wakefield Research for Coalition

Why you need D&O insurance

If your company wants to attract and retain quality executive leadership, has outside funding, or has a board of directors, D&O is a must. Directors are often professionals who are unaffiliated with the company, and they aren't covered by General Liability insurance. If a lawsuit occurs, these directors can be held personally responsible for damages. Since lawsuits could involve issues stemming from systemic or persistent problems, D&O can cover past and future directors, too.

D&O insurance also provides protection for the company itself. The cost of litigation is high, regardless

of the size of your company, but small businesses are less likely to have the capital to withstand large legal bills. Having D&O insurance allows your leadership team to focus on what matters — your business.

DID YOU KNOW

Many independent board members require that a company has a D&O policy in place **before they will consider sitting on the board.**

What exactly does D&O cover?

D&O insurance pays for defense costs and settlements incurred by court cases brought about by allegations of wrongful acts and financial losses in which an individual or group is held personally liable. This includes:

- Protection for insured persons, when the company is unable to provide indemnification
- Protection for the company itself, in the event that it is named along with the individual(s) in the lawsuit
- Additional policy extension can provide similar protections for executives sitting on the boards of outside companies
- Coverage may also be afforded to retired company directors, providing added peace of mind

What D&O doesn't cover

Like all insurance, D&O insurance has restrictions. Coverage doesn't include payment in cases of illegal actions that result in personal gain, or fraud. However, insurance does include defense costs until the final judgment proves guilt. For example, D&O insurance typically doesn't cover:

- **Responsibilities, obligations, or duties imposed by ERISA:** Covered by Fiduciary Liability insurance
- **Accusations of discrimination or harassment by employees:** Covered by Employment Practices Liability insurance (EPL) (*available with Coalition*)
- **Cyber-related losses as the result of hacking, malware, ransomware, etc.:** Covered by Cyber Liability insurance (*available with Coalition*)
- **Bodily injury and property damage claims**

Real-world claims examples



Industry: Consulting
Employer Size: 1-10 Employees
Revenue: \$500,000-\$1M

A consulting group agreed to pay a **mid six-figure amount** to settle a claim by a competitor alleging breach of contract, unfair competition, tortious interference, misrepresentation, and copyright infringement. The lawsuit arose out of an agreement in which the competitor granted the consulting group the right to use proprietary technology in exchange for a share of certain profits. However, a dispute arose regarding the use of such technology and which profits were derived from its use.



Industry: Marketing
Employer Size: Unknown
Revenue: Unknown

Directors and officers of a marketing company were sued in Florida by a minority shareholder alleging that the directors and officers were diverting the company's revenue and assets to other companies they owned. The directors and officers settled the lawsuit for a confidential amount and the **costs incurred to defend the lawsuit totaled approximately \$125,000.**



Industry: Real Estate
Employer Size: 1-10 Employees
Revenue: \$100,000-500,000

A real estate developer agreed to **pay a seven-figure amount** to settle a claim by a homeowners association which alleged that the developer failed to adequately manage the company before it was turned over to homeowners. The lawsuit generally alleged that the developer failed to collect sufficient condominium fees to ensure adequate capital reserves and failed to maintain certain common areas.



Industry: Construction
Employer Size: 15 Employees
Revenue: Unknown

A construction company was sued by a competitor for allegedly diverting a potential contract/business opportunity. The lawsuit asserted claims for tortious interference with contract and sought damages reflecting, among other things, lost profits. The case was settled for a confidential amount and the **costs incurred to defend the claim totaled approximately \$200,000.**

Why choose Coalition for D&O insurance?

Coalition is the leading provider of commercial insurance for small and midsize businesses, combining comprehensive insurance and active risk management tools. Coalition is also the world's first Active Insurance company, designed to prevent digital risk before it strikes. Unlike traditional insurance, created only to cover and transfer risk when the worst happens, Active Insurance combines technology and traditional coverage to provide continual risk assessment, protection, and response to address risks that move at digital speed.

Our Coalition Control platform, offered at no additional cost to all policyholders, provides automated alerts, expert guidance, and tools to help organizations proactively manage risk. Directors and officers insurance protects executives from lawsuits alleging leaders of wrongful acts while managing the business by keeping you apprised of situations that could lead to potential litigation before they evolve into something bigger.

Get comprehensive D&O coverage with Coalition.

Incidents happen, which is why you have insurance in the first place. Join thousands of other organizations who rely on Coalition to provide industry-leading coverage and in-house assistance.



"I never thought I'd say I was passionate about an insurance platform, but what you guys have built is exceptional."

— VERIFIED COALITION POLICYHOLDER

Ready to protect your business?

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