

Product Profile

iprism Directors and Officers Liability Insurance for SME's

Directors of small and medium sized businesses need to understand their exposures to personal litigation. It could be costly if they don't.

Directors and Officers are exposed

Financially - they may be personally liable for their actions. Potential claimants can include employees, creditors, customers, competitors and regulators.

Criminally - their liberty could be at stake, and the financial costs of defence can be high, sometimes reaching six figure sums.

Through Investigations - by regulators or trade bodies. An area of risk for directors and a major trigger of D&O claims in the UK.

To their own employees - for instance allegations of sexual, racial or disability discrimination could see directors defending their actions (or inactions) at employment tribunals, as well as in the media.

Not just in the past, but in the future as well. Responsibility and liability for their actions remain with directors, long after they have left the company, even into retirement.

Directors of all sized companies face these exposures, and yet many small and mid sized businesses do not purchase D&O insurance.

D&O insurance covers directors against "wrongful acts" - things they might be sued for because of their duty as directors. It covers past, present and future actions.

Cover - Directors and Officers

Indemnity limit

Up to a maximum £1 million

- ▶ "Wrongful Acts": Breaches of duty or trust, neglect, error, misstatement, misleading statements, omission, negligent act or any other act wrongfully committed
 - ▶ Advancement of defence costs
 - ▶ Damages awarded against the director or officer including exemplary damages for libel and slander
 - ▶ Company reimbursement
 - ▶ Investigation legal fees and expenses, covering the company and the individuals
 - ▶ Blanket cover for any person deemed to be a director or officer, past, present and future
 - ▶ Managerial/Supervisory staff included as insured Persons
- Insured v Insured exclusion does not apply to:
- employment practice claims
 - contribution and indemnity claims
 - any claim initiated by a former director or officer
 - shareholder derivative claims
- ▶ Pollution claim defence costs (the pollution exclusion is carved back to provide this cover, sub-limited to £100,000)
 - ▶ Outside directorship cover (£100,000 limit)
 - ▶ Automatic cover for prescribed new subsidiaries
 - ▶ Bi-lateral discovery

Key Exclusions

(for a full list of exclusions, please see policy wording)

- ▶ Prior and Pending Litigation (acts that were known at the time of inception or notified previously)
- ▶ Proven Fraud (Chartis Insurance UK Limited will pay defence costs up until fraud is finally proven, at which time Chartis Insurance UK Limited will attempt to seek recovery of such defence costs)

- ▶ Claims arising out of activities in the USA/Canada or brought in the court of law constituted in the USA/Canada
- ▶ Professional Services

Cover - Employment Practices cover for the Company (Optional)

Indemnity limit

Up to a maximum £1 million (excess of £2,500)

Please note: Employment practices cover can only be purchased in addition to a limit of £250,000 of D&O Cover

Employment Practices Liability claims (defence costs and awards) including cover for:

- ▶ Actual or alleged unfair or wrongful dismissal
- ▶ Employment-related misrepresentation
- ▶ Failure to furnish accurate job references
- ▶ Wrongful deprivation of career opportunities
- ▶ Sexual or workplace or racial or disability harassment of any kind
- ▶ Unlawful discrimination
- ▶ Wrongful failure to employ or promote "emotional distress" (the exclusion for bodily injury, sickness, death, disease, emotional distress or property damage is carved back to provide this cover)

Key Exclusions

(for a full list of exclusions, please see policy wording)

- ▶ Workers compensation, disability benefits or redundancy or unemployment benefits
- ▶ Transfer of Undertakings (TUPE) Regulations 1981

Cover – Crime (Optional)

Indemnity limit

Up to a maximum £50,000 (excess of £500)

Cover for direct financial loss as a result of employee dishonesty or third party computer and funds transfer fraud

Key Exclusions

(for a full list of exclusions, please see policy wording)

- ▶ Loss of potential income
- ▶ Loss or damage to proprietary information and trade secrets
- ▶ Unintentional or inadvertent errors or omission (applicable to third part computer and funds transfer fraud only)

Profile of target companies

- ▶ Turnover less than or equal to £10 million
- ▶ No assets or turnover in North America
- ▶ UK registered with Private Limited status
- ▶ Operating for over 18 months

Excluded companies

- ▶ Financial Institutions
- ▶ Hi-tech, Bio-tech, Telecoms, IT or pharmaceuticals

Please see policy wording for full exclusions.

This is a summary only. Scope and terms are subject to policy terms and conditions of the policy. A specimen policy is available on request

Reasons to Buy

1. Director Disqualification	1200 directors were disqualified in the year to March 2007. Disqualification orders are from 2 to 15 years. Even after the ban the stigma remains: credit history and personal reputation can be permanently damaged. D&O is designed to pay for the legal defence costs as and when they are incurred. We understand the legal processes, and Chartis Insurance UK Limited has one of the most experienced and tenacious claims teams in the world. It's good to have some of the strongest and toughest in your corner when facing such a crisis.
2. Investigations	It's easy to complain about a company. The DTI's Companies Investigations Branch considered complaints against 3500 companies in the year 2006-2007. The financial costs of investigations can be high and are a major cause of D&O claims in the UK - we pay out more for investigations claims in the UK than anything else under D&O cover.
3. Personal Liability	Directors' personal assets, their houses and savings might be at risk, whether they have acted deliberately, negligently or innocently. Mistakes can be very costly. D&O Insurance is not designed to cover dishonest or fraudulent acts, but directors can be found personally liable when they haven't been dishonest, deliberate or fraudulent - just failing to take sufficient care - in which case awards and defence costs would be covered.
4. Criminal Liability	Directors could go to prison, for their actions, inaction or ignorance. The very best defence can be invaluable, but costly. D&O Insurance cannot cover the criminal penalties - that is against public policy - but it can cover the costs of defending a claim up until the point guilt is established.
5. The SME Set-up	Fast, flexible and energetic but often with significantly less risk management infrastructure (in house legal, risk managers or compliance managers) with fewer formal control processes, sooner or later, some businesses may make expensive and very time-consuming mistakes.
6. Family Companies	Family run businesses, which make up a large proportion of UK businesses, carry with them exposures for the individuals concerned.
7. Inadequate Cover? Legal Expenses vs. D&O Insurance	Legal Expenses policy limits are much lower (e.g. £50,000, £75,000, £100,000) which may be inadequate for larger protracted actions. Legal Expenses insurance often only responds when an insured has reasonable prospects of success. It's precisely because directors might well lose an action that D&O insurance is so essential (to fund defence costs or settlements). Faced with a career and lifestyle-changing crisis they may not want to rely on legal expenses policy that may only cover them if they are likely to win.
8. Policy can be extended to cover Employment Practice Liability claims against the company	Employees suing for an alleged employment practice violation are likely to direct their actions at their employers who, in most circumstances, will be the company. They may, particularly in cases of discrimination, also name individual colleagues, supervisors or directors. It is therefore important to protect both employees and the company.
9. Broad definition of employment practice violation	The comprehensive nature of the employment practice violation definition including, specifically, claims made pursuant to the Employment Rights Act 1996 gives employees and the company wide protection.
10. Policy can be extended to cover crime losses the company discovers during the policy period	Employee Dishonesty or Third Party Computer Funds Transfer Fraud could cause large losses and even financially devastate small to medium companies. It is therefore important to protect the company against such losses. In addition, expenses cover is provided for any corporate identity fraud (sub-limited to £5,000).

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Your Insurers

This insurance is underwritten by Chartis Insurance UK Limited which is authorised and regulated by the Financial Services Authority (FSA number 202628). This information can be checked by visiting the FSA website (www.fsa.gov.uk/register). Chartis Insurance UK Limited is a member of the Association of British Insurers. Registered in England: company number 1486260. Registered address: The Chartis Building, 58 Fenchurch Street, London, EC3M 4AB.

About iprism Underwriting Agency Limited

iprism is a trading name of iprism Underwriting Agency Limited. Registered Office: 100 Fenchurch Street, London, EC3M 5JD. Registered in England No. 5604278. Authorised and regulated by the FSA. Our FSA Register number is 460209 and our permitted business is advising on, and arranging general insurance contracts.

Jurisdiction and Governing Law

Any interpretation of this policy relating to its construction, validity or operation shall be made in accordance with the laws of England and Wales.

The parties agree to submit to the exclusive jurisdiction of the High Court of England.

How to Give Notice and Report a Claim

Notice of a claim or of circumstances which may result in a claim shall be given in writing to Financial Lines Claims, Chartis Insurance UK Limited, The Chartis Building, 2-8 Altyre Road, Croydon CR9 2LG, or by facsimile to +44 208 680 7204. If posted the date of posting shall constitute the date that notice was given, and proof of posting shall be sufficient proof of notice.

Please see the policy wording for full notification and reporting requirements.

Cancellation Procedures

If you cancel the policy within the first 14 days, and there have been no claims or incidents likely to give rise to a claim, we will refund the premium in full. This policy shall be cancelled on each anniversary date upon the insurer or the insured giving the other party 30 days notice in writing prior to such anniversary date.

Complaints Procedure

We hope that you are extremely happy with your D&O insurance policy but we do recognise that on occasions things can go wrong. If this is the case, we want to know about it as soon as possible so that we can put things right and make sure it doesn't happen again.

Initially, contact your usual insurance adviser in writing to outline your concerns and ask them to review the situation.

If you are not satisfied with their response, then contact:

Customer Services Manager
iprism Underwriting Agency Limited
100 Fenchurch Street
London EC3M 5JD

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If you remain unhappy, then please write with full details to:

Customer Relations Manager
Chartis Insurance UK Limited
The Chartis Building
2-8 Altyre Road
Croydon CR9 2LG

Email: uk.customer.relations@chartisinsurance.com

What to do if you are still not satisfied

If you are still not satisfied then you can ask for your case to be reviewed by the Financial Ombudsmen Service.

Financial Ombudsman Service (FOS)
South Quay Plaza
183 Marsh Wall
London E14 9SR

Telephone: 0845 0801800

E-mail: enquiries@financial-ombudsman.org.uk

Web: www.financial-ombudsman.org.uk

Referral to the Financial Ombudsman Service will not affect your right to take legal action against us.

Financial Services Compensation Scheme

iprism and **Your Insurers** are covered by the Financial Services Compensation Scheme (FSCS) This means that **You** may be entitled to compensation from the scheme if **We** cannot meet **Our** obligations This depends upon the type of business and the circumstances of the claim

Further information about the scheme is available from the FSCS website www.fscs.org.uk, or write to Financial Services Compensation Scheme, 7th floor Lloyds Chambers, Portsoken Street, London E1 8BN

Please note that telephone calls may be recorded and/or monitored.



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