

# Executive Risk: Directors & Officers Liability Insurance

Directors & Officers (D&O) insurance covers liabilities of a corporation as well as the personal liabilities of its directors and officers. Learn the different types of risks within D&O and how MMA can help.

## What's D&O insurance?

D&O insurance is payable to the directors and officers of a company, or to the organization itself, covering damages or defense costs in the event of a lawsuit for alleged wrongful acts. Coverage can also extend to defense costs arising out of criminal and regulatory investigations and trials which are often brought against directors or officers simultaneously.

Directors or officers may be subject to personal liability for acts performed in their role. These liabilities can be divided into two types – those for which the corporation may indemnify the director or officer and those for which indemnity is not available.



**Indemnification of Directors and Officers:** Legal representation and defense is provided directly by the corporation as opposed to fronted by the director or officer and later reimbursed by the corporation.



**Non-Indemnification of Directors and Officers:** Liabilities are not subject to indemnity by the company. Examples include, but aren't limited to: intentional breach of their duty of care or loyalty to the corporation, misappropriation of a corporate asset for personal use, commingling of personal and business assets...etc.

## Why MMA for D&O coverage?

There are hundreds of scenarios like the one above that may impact MMA clients. Our approach is to provide you the most comprehensive advice and tools to minimize the risk of a potential lawsuit and the coverage needed to reduce the financial fallout when one occurs. MMA has a dedicated Executive Risk department with experts who focus solely on analyzing, creating and delivering the most effective Directors & Officers (D&O) liability programs.

## Example: Breach of Fiduciary Duty

After several months of negotiations, the president of a privately held manufacturing company is convinced his company will win a large contract from a component supply company. To meet the demand, the president takes out a large loan, signs long-term lease deals on warehousing and starts hiring employees. Then, the contract is awarded to a competitor leaving the company with debt it cannot pay. The shareholders allege the president breached his fiduciary duty by over-extending the company and putting them on the brink of bankruptcy. The creditors sue alleging the loan documents are fraudulent because they were led to believe the contract was imminent.

## Learn More

Contact Jay Shelton, Senior Vice President of Executive Risk, for more information on D&O insurance.

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