



FISC

Financial Insurance Solutions & Coverages

Directors & Officers Liability

What is Directors & Officers Liability?

Directors & Officers Liability (D&O) is the unlimited personal liability assumed by an individual solely due to their position within the organization.

The main responsibilities of a Director or Officer are to represent the interests of the organization's members in a prudent manner and to direct the organization's business and affairs according to applicable laws and regulations.

In performing their responsibilities, there are basic duties Directors and Officers must adhere to:

- Duty of Diligence
- Duty of Honesty
- Duty of Loyalty
- Duty of Obedience
- Duty of Skill

Who is at risk?

Any organization that has a board of directors has an exposure. This includes, but is not limited to: charity groups, religious organizations, educational institutions, sports clubs, community associations, cultural groups, family-owned businesses, privately-held companies.

Who may claim?

Potential claimants against Directors and Officers include: The Company, Shareholders, Employees, Creditors, Regulatory bodies, Liquidators / Receivers, Members, Contributors, General Public.

Policy Highlights

Directors & Officers Liability for Privately-Held Corporations

Covers Directors and Officers of for-profit corporations for their personal liability (potentially unlimited).

Non-Profit Directors & Officers Liability

Covers the individual board members, individually or collectively, and provides reimbursement to the Corporation in the event that the Corporation is required to indemnify the Directors and Officers.

Non-Profit Professional Indemnity

Provides coverage to the individual board members and the entity for D&O type losses. This policy also provides incidental E&O coverage for non-profit organizations.

Policy Options

D&O	ND&O	NPPI	
•	•		Full retroactive coverage (back to incorporation)
		•	Full retroactive coverage (back to incorporation) for the Directors and Officers – retroactive date is applied for the E&O coverage
•	•	•	Discovery Period available (bi-lateral)
•	•	•	Pure financial loss coverage
		•	Incidental E&O coverage provided to respond to administrative errors and omissions during the course of operations
•	•	•	Claim includes written demands for monetary or non-monetary relief
•	•		All Directors & Officers are covered – past, present and future
		•	Coverage provided for the Non-Profit organization, its directors and officers as well as all employees
•	•		Reimbursement coverage available for the corporation
•	•	•	Spousal coverage
•	•	•	Penal Defence coverage – \$100,000 sub-limit
•	•	•	Wrongful Dismissal extension available

Miscellaneous Professional Liability / Errors & Omissions Liability

History of Errors & Omissions Liability

Traditionally, E&O or Professional Liability Insurance was written for “true professionals” such as: lawyers, doctors, accountants, architects, and engineers. More recently, new occupations and revised standards have prompted the need for E&O coverage.

Sovereign General’s Miscellaneous E&O / Professional Liability wording is targeted for those occupations with a minor to moderate professional exposure.

What is Professional Liability?

Any person, company or partnership providing professional services can be described as a “professional”. Occupations considered “professions” have distinct characteristics:

- A period of technical and practical training is required.
- Practitioners are expected to be committed to rigorous professional guidelines, principals and service standards and are typically regulated through provincial or national guidelines.

Errors & Omissions Liability (E&O) insurance provides coverage for errors, omissions or negligent acts arising out of the Insured’s professional services (subject to policy exclusions) to a third party.

Who is at risk?

Any person, company or partnership providing professional services to third parties for a fee.

Policy Highlights

- Pure financial loss coverage for loss that arises as a result of an error, omission or negligent act committed by the Insured
- Bodily Injury and/or Property Damage is excluded unless it is a direct result of a professional service
- Extended definition of Named Insured
- Deductible does not apply to defense costs or supplementary payments
- Defense costs excess of policy limit

Eligible Occupancies

Listed are a sample of the occupancies we write. For a comprehensive list of available occupancies, please contact your underwriter.

- Adjusters
 - Alternative Dispute Resolution Services
 - Appraisers / Evaluators
 - Consultants
 - Court Reporters
 - Employment Agencies
 - Marketing Research Firms
 - Printers / Publishers
 - Real Estate Agencies
 - Small Business Advisory Firms
 - Travel Agents
- * Not all applicants qualify – each risk underwritten individually.

Ineligible Occupancies

- Accountants
 - Architects
 - Computer & Technology
 - Engineers
 - Environmental
 - Financial Services
 - Home Inspection Services
 - Lawyers
 - Medical Professionals
 - Oil & Gas
- * For a complete list, please contact your underwriter.

D&O Claims Examples

Charitable Organizations

One of the Directors of a national charitable organization donated a large amount of the charity's funds to help fund a political party's election campaign. The Director was criminally charged with misappropriation of funds. The other Directors were sued on the grounds that they did not exhibit enough control over the actions of the other director.

Community College

The school became bankrupt due to declining revenues. A number of claims were presented by banks, creditors, employees and parents for reimbursement of prepaid enrollment.

Even though most claims were brought against the school, the Directors were held personally liable for the claims of unpaid wages, wrongful dismissal and prepaid enrollment. Due to the number of plaintiffs, the legal fees were significant.

For-Profit Company

A business was sold for less than the fair market value and a claim was filed against the Directors for breach of fiduciary duty.

Government Funded Agency

A government-funded agency failed to grant monies as instructed by the government. Its Directors failed to record financial transactions and submitted unaudited financial statements. As a result, the agency was declared bankrupt. The Directors were presented with claims by the government, suppliers and creditors for mismanagement of funds.

E&O Claims Examples

Appraiser

The Insured was sued by his client, who was forced to sell a building to the tenant at less than the market value. An agreement gave the tenant the right to buy at the appraised value. The court found that the appraiser underestimated the value of the building.

Public Relations

The Insured produced advertising literature for a client. After all the copies had been printed, an error was discovered. A claim was made for additional costs incurred for reprinting.

Publishers

The Insured failed to amend an insert to a magazine advertisement leading to incorrect details being printed. The client is claiming for loss of profit.

Search Agents

The Insured carried out a search and advised their client that there was no reason why they should not use their proposed name. Subsequently, a company with a similar name issued an injunction.

Travel Agents

The Insured failed to adhere to an agreed time period for pre-booking their clients' airline tickets. The clients have incurred increased costs in obtaining the tickets.

- 👑 Applications for all products are available on our website: www.sovereigngeneral.com
- 👑 Talk to your underwriter about one-stop shopping for your Property, Casualty and FISC products.
- 👑 Our FISC underwriters can provide training for your staff.
- 👑 We can customize package policies or programs – please discuss with your underwriter.

FISC UNDERWRITING OFFICES

CALGARY

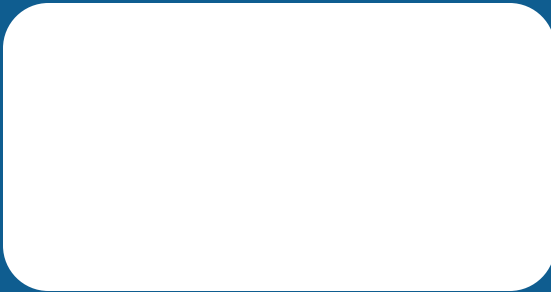
Sovereign Centre
500, 6700 Macleod Trail SE
Calgary, Alberta
T2H 0L3

MONTREAL

810, 2000 McGill College Avenue
Montreal, Quebec
H3A 3H3

TORONTO

350, 11 King Street West
PO Box 19
Toronto, Ontario
M5H 4C7



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www.sovereigngeneral.com