



Company directors – are you protected?

The Companies Act 2006, which came into force in the autumn of 2007, is the biggest overhaul of company legislation in nearly 20 years, and promises to bring major benefits to business by bringing company law up to date and simplifying it.

But for senior management, the Act also brings new dangers. It contains provisions extending even further directors' duties and liabilities, and making it easier for shareholders to sue directors for wrongdoing or mismanagement.



Therefore it is advisable to check your directors and officers cover.

D&O cover is well-established. It protects the directors and officers of a company, including the non-executives. It covers their legal liability for wrongful acts in their capacity as a director or officer, and pays for defence costs and civil awards.

There are certain exclusions and limitations within policies that should be carefully reviewed and can usually be amended to suit your company's needs. Examples include claims in the US, pollution, bodily injury or property damage, wrongful acts following a takeover, claims by major shareholders and claims against a director by another.

The Companies Act 2006 introduces many changes. Your D&O cover now needs to include breaches of the new directors' duties within the definition of 'wrongful act', claims brought by shareholders and the company, and claims against former directors and shadow directors.

So you need to think carefully about this critical insurance. You should check cover is in place for all directors, check the name of the insured entity, review the breadth of existing cover, and make sure the limit of indemnity is high enough.

To find out more, contact Stephen Webb at 0116 204 3055 or email stephen.webb@theovalgroup.com