



# Claim Examples

## Small Business Directors and Officers Liability Insurance

### against the Individual...

- A fire results in the Company's premises being destroyed. It is subsequently discovered that the Director responsible for arranging the Company's insurances had inadvertently failed to keep the insured values up to date, resulting in a significant underpayment by the Company's Insurers for the loss. This in turn meant that the premises could not be rebuilt with the insurance proceeds alone. The other Directors decide to sue the Director responsible for insurances for the shortfall.
- Two Directors were disqualified for 5 years after actions by the secretary of state when financial irregularities were uncovered when the company went into receivership. The accounts were overstated prior to a public share offering which led to an inflated share purchase price.
- A Director is detained at an overseas airport while on a business trip, and is questioned by the country's authorities regarding the activities of his employer which, it is alleged, could be illegal in the country.
- The Department of Trade and Industry (now known as the Department for Business Innovation and Skills (BIS)) brought a disqualification action against two directors of a failed estate agent for continuing to trade when there were no reasonable prospects of creditors being paid.
- The Company sells some of its shares to new investors. One of the Directors who is a minority shareholder decides to leave the Company and sell his shares. He subsequently claims the investors offered some of the other Directors additional financial incentives to recommend their investment, and he therefore received less for his shares than he should have. A solicitor's letter is received demanding financial compensation from the Company and threatening the Directors with personal prosecution for breach of duty as set out in the 2006 Companies Act.
- The Company receives a complaint from the solicitor of a competitor alleging that a Director who previously worked for them, and who is now working for the Company, has tarnished their reputation by making false and misleading statements. They further allege that this has resulted in the Company being awarded a significant contract as opposed to themselves. The Director individually receives a demand letter from his former employer for financial damages they claim to have suffered.
- The Company agreed to hold a customer's monies in a separate trust account, however, after the company went into liquidation it was discovered that monies were not held as agreed and the customer was treated as a normal creditor; the customer sued the Directors personally for their financial loss.
- A Director breached his authority in appointing a company belonging to an employee to undertake work on their behalf. Director sued for non-payment of fees following cancellation of the contract.
- Directors of a manufacturer facing disqualification proceedings issued by the Secretary of State for trading whilst insolvent, together with allegations that they failed to maintain their accounts in a satisfactory manner to enable the receivers to carry out their duties, leaving many creditors (including HM Customs and Excise) unpaid.
- An employee is involved in a fatal accident at work. The Health and Safety Executive and the heirs to the employee's estate bring legal action against the Company and the Directors personally for compensatory damages.
- A minority shareholder brought an action against the former directors of a property management company after they sold it. He alleged they had failed to obtain a fair value for the sale of the company and demanded the directors make good the shortfall.

These examples represent a brief overview and do not represent a comprehensive explanation. Whilst care has been taken to ensure the accuracy of the information provided, Angel Risk Management Limited part of AXA SA does not guarantee such accuracy and accepts no liability for loss or damage resulting from reliance on this information. Coverage may not be available in all circumstances and Angel Risk Management Limited recommends that the appropriate professional advice be sought before purchasing any insurance product.