

Directors & Officers Liability for Private Companies

COVERAGE HIGHLIGHTS

Your organization's assets and the personal assets of its directors and officers are at risk with every decision you make, every day.

Why you and your organization need protection

Privately held organizations, and the people who lead them, are vulnerable to a multitude of Directors & Officers (D&O) exposures. These can include shareholder litigation, regulatory actions, allegations of misrepresentation and other breaches of fiduciary duties. Mergers and acquisitions, signs of financial weakness and perceived conflicts of interest can all be triggers for shareholders, competitors, customers, employees, vendors and government entities to make devastating claims against directors and officers.

Directors and officers claims against private companies have become increasingly common. Directors and officers themselves can be held personally liable for these claims, including statutory claims for taxes and unpaid wages. To attract and retain qualified executives and board members, it's crucial to have a comprehensive insurance program in place.

Coverage highlights

Travelers Canada directors and officers liability policies for private companies have a broad definition of claim and cover the defence costs, settlements and judgments associated with claims. Travelers Canada D&O policies not only help provide protection for the assets of the organization and the personal assets of its directors and officers, but also help protect the personal assets of a director or officer's spouse, domestic partner or the deceased director or officer's estate.

Claim scenarios

The following claim scenarios are provided for informational purposes only. Refer to the terms and conditions of the applicable policy and the actual facts of the claim to determine coverage

Misrepresentation – \$500,000

A Canadian retailer asked one of its suppliers to increase product inventory because the retailer expected its business to grow significantly. Business did increase; however, the retailer decided to use a different supplier for the product. The original supplier sued the retailer and its board of directors and alleged that because they had relied upon a misleading representation, they had incurred significant expenses. The claim was settled for \$500,000.

Non-compete violation – \$125,000

A competitor sued a parts manufacturer claiming that the manufacturer had interfered with an employment contract that contained a non-compete clause. The parts manufacturer allegedly courted and hired a former employee of the plaintiff, an action that violated the employee's non-complete agreement. The plaintiff also contended that the parts manufacturer interfered with the plaintiff's business relationship. As a result, the plaintiff asserted that its trade secrets were improperly taken. Defence costs alone were \$125,000.

Shareholder Misrepresentation – \$370,000

A minority shareholder invested in an agricultural supply company after reading the board's business plan. The plan outlined steps that management intended to take in order to achieve superior financial results. Due to continued disagreements among board members, many steps were never taken and profits were lower than anticipated. The minority shareholder sued for breach of fiduciary duty and misrepresentation. The claim was settled for \$370,000 to cover defence costs for the board members.

Why Travelers Canada?

- We've provided effective insurance solutions for more than 130 years and address the needs of a wide range of industries.
- We consistently receive high marks from independent rating agencies for our financial strength and claims-paying ability.
- With offices across Canada, we possess national strength and local presence.
- Our dedicated underwriters and claim professionals offer extensive industry and product knowledge.



Travelers Canada knows directors and officers liability coverage for private companies. To learn more, talk to your Travelers Canada underwriter or visit travelerscanada.ca.



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