

Why do you Need Management Liability – Formerly Known as “D&O” Coverage?

There are two basic parts to today’s D&O policies, now commonly called “Management Liability” policies.

(Part I) Directors and Officers protection

Reimburses individual Ds & Os for their personal liability to a claimant, and reimburses the company for indemnifying Ds & Os for their personal liability to a claimant.

(Part II) Entity coverage

Protects the company for its own liabilities.

Historically, only Part 1 was available, so many small or closely-held companies, especially those with no outside directors, did not feel D&O coverage was necessary or valuable.

However, now that the Entity is an insured, all manner of claims that used to be considered just “business risks” are subject to insurance.

The coverage grant of a typical D&O policy is very broad. It covers any act, omission, misstatement, misleading statement, breach of duty or neglect, and so on. Only those wrongful acts excluded are not covered. Everything else is open season.

For example, direct breach of contract is not covered, so a D&O policy would not respond if you were sued for failing to pay your copy machine lease.

However, if you had misrepresented your financial condition to qualify for that lease, you could be defended for that misrepresentation.

Claimants that bring actions defended and settled under this new, broad form of D&O include customers, vendors, competitors, and government agencies. Causes of action range from all manner of misrepresentation to corporate misconduct, unfair trade practices, anti-competitive practices, misuse of a competitor’s confidential information, pilfering of employees from a competitor, and so on. And remember – you don’t need to do anything wrong to be sued.

Of course, traditional actions against the Ds & Os by shareholders and others are still covered.

Frequently, employment practices liability, fiduciary liability (ERISA coverage, including an ERISA bond and Employee Benefits Liability), crime, and other coverages are included in the form on a modular basis.

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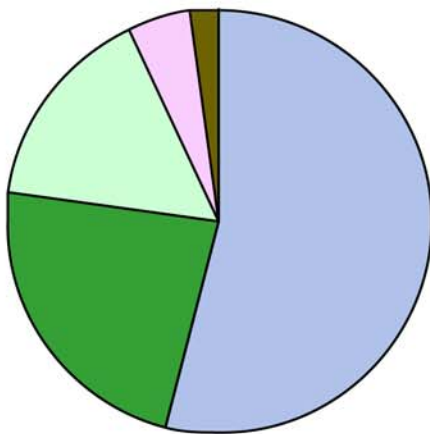


Are You Covered?

You and your company can be sued for many reasons not covered by "traditional" insurance.

Management liability coverage is the answer.

Sources of Executive Liability Claims



- Employees
- Shareholders
- Competitors/Customers/Vendors
- Government
- Other

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It's EASY to get a preliminary indication* just answer the following 5 questions.

1. Business Name _____
2. Location _____
3. Nature of Operations _____
4. Number of Employees _____
5. Asset Size _____

* indication will be based on the assumption of no claims or circumstances, among other assumptions



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