

Directors and Officers Liability Cover

What is it? – This provides cover for amounts that Directors and Officers are legally liable to pay due to negligently carrying out their duties or any wrongful acts while carrying out their duties in terms of relevant legislation.

Who needs this cover? – Only Directors and Officers of Companies and Close Corporations really need this cover.

Why do I need it? – Directors and Officers can be held legally liable in their private capacities. It is thus very important that they safeguard themselves against legal action which could see them losing their personal assets and funds.

Give me examples of possible claims:

Claim due to a wrongful act: As director you need to adhere to the Companies Act. All possible conflict of interest needs to be declared. The director does not declare a previous dealing with a service provider. The company and the directors gets sued by a service provider who lost a tender and the allegation is made the director tried to cover this up. The legal defence costs and possible settlement will be covered in terms of the policy.

Claim due to improper management: The CFO of Company A has a mandate to sell an asset of the company for R 1 000 000, 00. He sells the asset for half its value at only R500 000, 00. The shareholders sues him on the ground that the transaction was improper and made with an acquaintance of the CFO. The legal defence costs and possible settlement will be covered in terms of the policy.

Claim due to negligence of duties: Fraud is discovered in the company performed by a senior employee. The shareholders sue the CFO and CEO because it came to light that they knew about the financial shortfalls for a period of time but did nothing to properly investigate the matter. The legal defence costs and possible settlement will be covered in terms of the policy.

How much cover do I need and how much will it cost? – There are three limits available.

R 1 000 000, 00 on an aggregate per year

R 1 500 000, 00 on an aggregate per year

R 2 000 000, 00 on an aggregate per year

You decide the cover that best suits your possible exposure. Your business activities will dictate this.

Please take note that this document is an information document only and not the binding policy wording.

Please consult the policy wording that will be binding on your policy

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