



Directors and Officers Liability Coverage



Corporations are made up of many different layers. At the operations level of the company, you have the staff employees who carry out the daily operations of the company at the direction of others, and supervisory and management personnel oversee the operations. At the upper levels of the management hierarchy, you find officers of the company, and finally, the board of directors.

Since the officers and the directors are entrusted with the responsibilities of daily company management and oversight of the company, both have an exposure to loss resulting from carrying out their duties. They are also subject to unfounded accusations that may require substantial defense costs.

Stepping up to provide that coverage is the Directors and Officers Liability Policy (D&O). D&O liability insurance protects insured directors or officers against claims involving allegations of wrongful acts occurring while performing their respective duties.

D&O insurance is divided into two separate coverages:

- One coverage part reimburses the corporation for payments made to directors or officers for expenses incurred by reason of claims made against the director or officer for alleged wrongful acts. This reimbursement to the officer or director must be provided for in the company's bylaws.
- The second coverage part actually pays on behalf of the director or officer.

Common causes of D&O claims involve claims by stockholders, creditors, violation of regulatory statutes and anti-trust or securities violations. The extent to which directors and officers are exposed to loss is governed specifically by individual states.

Understanding COBRA

The Consolidated Omnibus Budget Reduction Act of 1985 (COBRA) gives employees of companies that employ 20 or more employees the right to continue group medical coverage at their own expense when an employer's plan ends. The period of this personal healthcare extension is usually 18 or 36 months.

There are events that trigger this benefit:

1. Employment ends for other than gross misconduct.
2. Legal separation or divorce.
3. Employees hours are reduced below minimum necessary to qualify for coverage.
4. Employee becomes eligible for Medicare.
5. Total disability.
6. Death of employee – coverage extension applies to spouse or child.

The COBRA extension of coverage ends when:

1. Policyholder voluntarily terminates plan.
2. Premiums aren't paid within 30 days of the monthly due date.
3. A covered person becomes covered under another plan, including Medicare.
4. The employer discontinues offering group health coverage altogether.
5. The COBRA continuation period ends.

COBRA rules are subject to regular review and revision. For the most up to date information, visit <http://www.dol.gov/dol/topic/health-plans/cobra.htm>.

Advertising Injury Liability

This coverage pays for damages that may result in the course of oral or written advertisement that libels or slanders a person's or organization's products, goods or services. For many businesses, this coverage is built into the general liability portion of the commercial policy. This coverage only pays if the damage or injury occurs during the course of advertising the named insured's own goods, products or services, so a company in the business of media advertising and production for others will need special media coverage not provided in the typical commercial liability policy.

The policy will cover:

- ✓ An oral or written publication, in any way, of material that libels or slanders a person or organization or is derogatory of another person's or organization's goods, products or services.
- ✓ Any oral or written publication that in any way infringes on a person's right of privacy.
- ✓ The use of another's advertising idea.
- ✓ Infringing on copyright or trademarks of somebody else in an advertisement.

To fully understand the range of coverage in the policy, exclusions must be considered. For instance, two such exclusions restrict the policy so it will not cover claims arising out of intentional acts or knowingly publishing something that the insured knows is false.