

## Directors & Officers Liability

As well as the potential rewards to Directors of companies there is considerable responsibility. Directors of companies are expected to be aware of everything going on within the companies they direct, whether it is part of their "expertise" or "division" or not. The title of Director may carry some weight reputation-wise but it also means that the director can be held personally accountable for the status of the company.

Some of these accountabilities can be unlimited. Businesses are expected to act in a responsible, lawful manner and directors are put in place to not just administer a company but also to protect those who come into contact with the company. This could be employees, shareholders, creditors and even the general community.

Should there be mismanagement of a company the Directors can be sued personally by any of the above but also by such as Government Organisations such as the Serious Fraud Office, the Commerce Commission or the Financial Markets Authority. Those actions can lead to the director's own financial destruction.

Through the Articles and/or Memoranda of Association, many companies are required to indemnify their directors from actions taken against the directors. Defence costs and any potential damages can lead to serious implications for the balance sheet. If the company becomes insolvent following an action indemnifying the director then further actions can be brought by such as receivers as well.

We can provide Directors and Officers Liability cover for our clients that provides cover for the individual directors and also the company that is required to indemnify the director. This cover will include Defence Costs, judgements and settlements, appearance costs and investigation costs.

No business should be without this cover.

Apex can provide cover for all of your Liability needs, whether General Liability, Employers Liability, Employment Disputes, Crime, Statutory Liability and not-for-profit Associations.

We tailor-make to your requirements dependant on your business needs.

### Claims examples:

- A company went into liquidation owing significant sums of money to creditors. The matter progressed in the High Court whereby it was held that the directors were "trading recklessly" and found them personally liable under section 135 of the Companies Act 1993. The court awarded \$640,000 to the liquidators, including interest.
- Allegations were made against a finance company alleging a breach of its own constitution, thus leading to the company becoming insolvent through a series of inter-party loans. The receivers, along with the company's creditors, took civil action against the directors whilst the Securities Commission brought a criminal case against the directors.

To discuss further or for any queries, please contact your Apex Broker or our Technical Manager, Mark Robb:  
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