



# WHY IS DIRECTORS & OFFICERS INSURANCE IMPORTANT TO TECHNOLOGY COMPANIES?

Many people mistakenly believe that as a director of a company, they have no personal liability in regard to their corporate actions, however that could not be further from the truth.

The truth is that while most corporate bodies are protected through public liability and other insurances, the individuals within the company are often unprotected: particularly where they have acted without proper authority or breached any part of the Companies Act, however inadvertently.

## Why important in the IT sector?

Although D&O insurance is a general cover that has been around a long time, it is important to those working in IT due to the nature of the sector - things like joint ventures, emerging technologies, all these elements mean that you need to carefully consider.

Broadly speaking, personal claims or proceedings against directors or officers can arise from any decision made, or act carried out, in the workplace however innocuous it may have seemed at the time.

## Product launch failure

You are the director of a new software company, which has launched a new product, the funding of which came mostly from shareholders. The new product did not perform well and a claim is made against you as the director alleging that you misled those who were investing in the product, and that research suggesting the product would perform well was falsified.

## Director fallout

You decide to enter in to a partnership with a friend, and start what becomes a successful web development company. Following a conflict you decide that you would be better off buying out your partner and continuing alone but a claim is made against you alleging that you mismanaged company finances deliberately in order to distort the true worth of the business.

## Business plans

More speculative where based on a new or emerging technology, and therefore the representations D&Os make in developing a business are more likely to be in the spotlight

from creditors, lenders and investors, in the event that the business plan does not deliver

## Security

The recent press of cyber security and crime has brought into focus the management liability arising from having appropriate controls and protection, and the role of directors in managing a crisis. [The company suffered a major data breach which resulted in a loss of thousands of pieces of client data, but the press got wind of the story before you had let those clients know. A claim is then made against you as a result of how you handled the situation.]

**D & O insurance ensures that in the first instance you have direct access to practical advice from our in-house claims team. If you talk to them at the first hint of trouble, they can often help you to defuse the situation; either minimising the risk of a frivolous claim being made, or by helping you to direct claims or proceedings towards the company rather than individual directors or officers.**

**In short, the protection given to directors and officers by limited company status is often less valuable than you may think.**