

# DIRECTORS & OFFICERS LIABILITY IN THE MIDDLE EAST

Individuals are personally liable when acting as a director or manager (*or equivalent*) of any company, with their own assets and reputation at risk. As a result of a claim for alleged wrongdoing, or a proceeding or investigation related thereto, an individual may incur significant costs and loss from:

- **Defence costs, including:**
  - *Legal fees in the investigation, defence, settlement or appeal of such claim or proceeding*
  - *Prosecution costs to bring legal proceedings for an injunction*
  - *Expert fees, retained in connection with the defense of a claim*
  - *Public Relation Consultant fees to mitigate the adverse effect or potential adverse effect on the person's reputation*
- **Judgements and awards of damages, including fines and penalties**
- **Amounts paid to avoid or settle a claim**

Directors and Officers (D&O) insurance is taken by companies on behalf of their directors and managers, providing them protection and comfort to perform their duties without fear of personal loss.

Maintaining D&O insurance is part of good corporate governance and has become an essential tool to retain and attract the most talented directors.

## **Liability established by Law**

Companies Law, as applicable in each country, is generally consistent and establishes that directors and managers are personally and jointly liable to the company, its shareholders and third parties for:

- **Violating Companies Law**
- **Violating the provisions of the Company's Articles of Association or bylaws**
- **Mismanagement of the company**
- **Mistakes in the performance of duties**

Additionally, in many cases individuals are subject to imprisonment and financial penalties for specific misconduct or errors.

In many cases, the law will specify that any agreement by the company to clear a director / manager from their liability is void, leaving individuals exposed without insurance protection.

## SOURCES OF CLAIMS

- For Public Companies, including:
  - Corporate Governance
  - Disclosure Requirements
- Insolvency Exposure
- Class Action Regime
- Corporate Fraud
- Directors Fraud
- Conflict of Interest
  - Directors must act in the best interest of the company and not any other company, including when such director is representing a shareholder by way of an outside directorship
- Other sources of Claims: Cyber; M&A; IPO; Environmental, Social and Governance (ESG), etc.

## ACE GALLAGHER DIRECTORS & OFFICERS SOLUTION

In collaboration with our partners Gallagher, we have developed a broad solution that is easily accessible and available to qualifying commercial companies with total annual revenue up to USD1bn.

Cover can be arranged with just a simple declaration, without the need to complete proposal forms or provide financial statements.

## SUMMARY OF COVER

<b>What is Covered?</b>	The insurer will pay the defence costs and any other amounts an Insured Person becomes legally liable to pay arising from a claim or proceeding brought against and alleging wrongdoing by such Insured Person.	
<b>Who Is Covered?</b> [Insured Person]	Any person who is, was or becomes a: <ul style="list-style-type: none"> <li>- Director or officer</li> <li>- Employee</li> <li>- Internal committee member [and as more broadly defined in the policy] of the Policyholder or any Subsidiary Company [Insured Company]</li> </ul> Any Outside Entity Director – a person serving at the specific request of direction on an Insured Company as director of an outside entity, for allegations of wrongdoing in their capacity for the outside entity.	
<b>Limit</b>	Various options – provided on an Any One Claim basis (no aggregate cap) Special Excess Protection for Non-Executive Directors: Additional limit of USD500,000 for each Non-Executive Director and USD1,000,000 in total.	
<b>Excess</b>	Nil	
<b>Territory</b>	Worldwide	
<b>Retroactive Date</b>	None ( <i>full prior acts cover</i> )	
<b>Extensions</b>	<b>Provided with Full Limit:</b> <ul style="list-style-type: none"> <li>- Fines and Penalties</li> <li>- Pre-claim Inquiry Costs</li> <li>- Assets and Liberty Costs, including Extradition Expenses</li> <li>- Derivative Investigation Hearing Costs</li> <li>- Insolvency Hearing Costs</li> <li>- Reputation Expenses</li> <li>- Personal Liability for Corporate Taxes</li> <li>- Corporate Manslaughter</li> </ul>	<b>Provided with USD1m sub-limit:</b> <ul style="list-style-type: none"> <li>- Emergency Costs</li> <li>- Circumstance / Claim Mitigation</li> <li>- Personal Expenses in the event of confiscation of assets, payment of: rent; mortgage payments; school fees; utility costs; personal insurance premiums</li> </ul>
<b>Key Features</b>	<ul style="list-style-type: none"> <li>- Policy responds to claims first made during the policy period, regardless of when the alleged wrongdoing occurred.</li> <li>- Automatic cover for any newly established or acquired subsidiary company (conditions apply for US listed / US domiciled companies)</li> </ul>	