

## The Importance of Directors & Officers Liability Insurance

I know from personal experience that owning a business can at times be a stressful experience. The responsibilities we face on a daily basis include areas such as Employment Law, Health & Safety and Financial Obligations not to mention our Regulatory Requirements. Life gets even harder when these regulations change and we all know that this happens fairly frequently. A Royal Wedding even has an implication to an employer who has to recalculate the employee's holiday allowance.

To manage these responsibilities particularly with the current economic climate, businesses need to be fast, flexible and energetic. Regardless of the strength of any risk management infrastructure and formal control processes, sometimes expensive and time-consuming mistakes are made. The personal consequences for you and your senior staff can be horrifying.

In times of need, Directors & Officers Liability cover offers nursery owners and their managers peace of mind, ensuring your business has the right cover to mitigate the key risks nurseries face, as outlined below:

### Personal Assets

Mistakes can be very costly as you and your manager's risk being held personally liable for failing to take sufficient care when reaching decisions or taking actions. Directors & Officers Liability insurance will cover any awards and defence costs.

### Investigations

It's very easy to complain about a company or individual within that organisation. The allegations can be unfounded, mischievous or scurrilous but ultimately need investigating and defending. The costs of investigations can be financially heavy, time-consuming and personally stressful, even if no action is ultimately taken. A complaint relating to a Health & Safety regulation breach is a good example. So, cover for investigation costs are important.

### Employment Law

Juggling other regulatory requirements whilst still not breaching Employment Law is very difficult. Regardless of how much care you take you may still be faced with an employment tribunal. These formal legal hearings can be expensive and last for months. Directors & Officers insurance covers individual defence and employment tribunal costs. The policy can be extended to protect the company as well as the individuals.

### Partnerships

Even if you are not a Limited Company, Partnerships are also subject to a raft of legislation and scrutiny by the Equality and Human Rights Commission. Specific insurance packages for the management liabilities of partners are available

### Disqualification

Director disqualification orders are from 2 to 15 years. Even after the disqualification has expired a stigma can remain with permanent damage to the individual's credit history and personal reputation. Directors & Officers cover pays legal costs to defend against disqualification in the first place.

Even after you have left the business, actions can still be taken against you. Certain policies can provide cover for a run off period following retirement, as long as cover was in place at the time of the alleged incident. It also covers past Directors and their estates.

Finally, don't be confused by the range of insurances on offer to nursery businesses. Legal Expenses policies are sometimes considered as substitutes for Directors & Officers insurance but limits tend to be in the order of £50,000 to £100,000. This can be inadequate for larger protracted actions and cover often responds only when insurers feel there is a good prospect of success.

It's precisely because Directors' might lose an action that Directors & Officers insurance is essential to fund defence costs or settlements, and if faced with a career and lifestyle-changing crisis it's better to have a policy that is specially designed for the job.



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