



Directors' and Officers' Liability Insurance

Valid as of 1 January 2024

Directors' and Officers' Liability Insurance covers financial losses caused to the corporation or a third party for which the insured is liable under the current law while acting as a member of a governing body.

What is liability insurance?

Liability insurance is a contract by which the company (= policyholder) transfers part of its liability for damages to an insurance company.

The content of the insurance contract is determined by the policy document, the terms and conditions, and the safety regulations.

The appropriate liability insurance solution is based on the nature and scope of the policyholder's activities. The following table describes the liability insurance offered by If.

Who is this for?

Directors' and Officers' Liability Insurance may be granted to a limited liability company, public corporation, foundation, association or cooperative. The insured comprise the policyholder's managing director, their deputy, the members and deputy members of the Board of Directors, the members and deputy members of the supervisory board, and the chair of the General Meeting. The policyholder is not the insured, and the insurance is not granted to individual members of the Board of Directors.

Compensable damage may arise from, for example:

- failure to meet a deadline
- approval of an invalid contract
- neglect of duty to disclose financial information
- submission of an incorrect document
- inadequate oversight of collection, payment or other activities
- damage to a third party under the EU General Data Protection Regulation (GDPR)

If loss or damage occurs, If will determine the liability for damages and amount of loss arising from the insured event eligible for compensation, as well as cover costs of any legal proceedings related to the insured event.

This product description applies to Directors' and Officers' Liability Insurance.

PRODUCT	FOR WHICH DAMAGES	FOR WHOM?
General Liability Insurance	Personal injury and property damage caused by the company's operations	All lines of business
Product Liability Insurance	Personal injuries and property damage caused by products	Importers, producers, manufacturers and B2B vendors
Professional Indemnity Insurance for Technical Consultants	Personal injury, property damage and financial losses resulting from incorrect consultancy	Technical consultants
Professional Indemnity Insurance for Non-technical Consultants	Financial losses resulting from an incorrect assignment	Professional services
Legal Expenses Insurance	Lawyer's fees and legal expenses related to the company's operations	All lines of business
Crime Insurance	Losses incurred by the policyholder or the policyholder's client as a result of the policyholder's property crime	All lines of business, especially trade, and sectors where money or a client's property is handled
Directors' and Officers' Liability Insurance	Financial losses caused to the corporation or a third party for which the insured is liable under the current law while acting as a member of a governing body	All lines of business
Cyber Insurance	Costs incurred by the policyholder as a result of a data breach; financial losses caused by the interruption of operations; liability for the disclosure of trade secrets	All lines of business
IPR Insurance	Legal expenses and liability related to intellectual rights	All lines of business involving intellectual rights

Exclusions

The Directors' and Officers' Liability Insurance contains some important exclusions and therefore does not cover all damages caused by a member of the policyholder's governing body. For example, the insurance does not cover

- damage arising from the acquisition of shares in the policyholder company or its subsidiary for the insured's own or the policyholder's account, or from investment activities using the funds of the company or its subsidiary
- damages if the liability is based on a contract or other commitment in which the insured has committed itself to a wider liability than that prescribed by the law in force
- financial liability incurred by the insured for environmental damage. However, the insurance covers defence costs arising from legal proceedings related to environmental damage. If the legal proceedings concern a demand for punishment for environmental damage, the insurance covers defence costs if the court of law grants an acquittal in the case
- liability based on an employment contract, a private- or public-sector collective agreement, the Employment Contracts Act, the Act on Public Officials in Central Government, the Act on Equality between Women and Men, the Non-Discrimination Act or other comparable laws
- bodily injury or property damage
- fines, taxes or other similar sanctions
- loss incurred by a company controlled by the policyholder on the basis of majority shareholding or other grounds
- liability based on defamation or invasion of privacy
- deliberate action or gross negligence on the part of the insured

How to extend your cover

If necessary, Directors' and Officers' Liability Insurance can be extended for an additional fee to cover damages caused by the designated employee of the policyholder acting on behalf of the policyholder in other companies, as well the costs incurred by members of the governing bodies for any official or criminal investigation. It is also possible to extend the period during which damages covered by the insurance may be caused.

Validity and compensation

The insurance is valid within the territorial limits and during the period stated in the policy document.

Directors' and Officers' Liability Insurance covers financial loss caused to the policyholder corporation or a third party for which a written claim has been made against the insured during the period of validity of the insurance, and which the insured has caused during the period of validity of the insurance or in the 24 months preceding the entry into force of the insurance. The precondition for this is that during the said period, the policyholder has had a valid comparable directors' and officers' liability insurance with another insurance company, but compensation cannot be claimed on the basis of that insurance. Financial losses refer to losses that are not related to personal injury or property damage.

When the insurance expires due to the policyholder's bankruptcy, damage is also covered by the insurance in such cases where a written claim has been made against the insured within 12 months from the expiry of the insurance, provided that the damage was caused during the validity period of the insurance and cannot be claimed on the basis of another liability insurance. The time limit can be extended for an additional fee.

Amount of compensation and the deductible

The insurance covers damage included in the scope of the insurance coverage up to the sum insured indicated in the policy document. The policyholder's deductible is deducted from the amount of compensable loss, separately for each insured event.

Insurance is a contract

Insurance is based on an insurance contract. When entering into the contract, it is important that you provide accurate and complete information about, for example, the nature and scale of the insured operation. The contract determines the scope of coverage and the amount of the deductible which form the basis of the compensations payable when the damage occurs. The key contents of the contract are laid out in the policy document.

You must inform the insurance company promptly of any mistakes or omissions that you notice and that may have a bearing on the policy.

The policy is effective indefinitely from the date agreed between the policyholder and the insurance company. The insurance premium invoice must be paid on the due date to the bank account indicated on the invoice.

The insurance remains valid if the insurance premium is paid no later than the date due. If the insurance premium has not been paid on the due date, the insurance company can terminate the insurance, effective at the earliest 14 days from the date of dispatch of the notice of termination.

The policyholder can cancel the policy by giving notice of termination in writing. You can cancel your policy at any time. The insurance company also reserves the right to terminate the policy at the end of the insurance period.

Read more
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CLAIM EXAMPLE

The company commissioned a special audit of the company's finances. Based on the report, the company sued the company's managing director and Board of Directors. The claim was EUR 39 million, mainly based on major transactions carried out over the last 2 years of operation, in which the company's assets had decreased or deteriorated. The managing director was suspected of committing crimes together with certain large investors.

The members of the Board of Directors were deemed to have neglected their oversight obligations. Their actions were not considered intentional or gross negligence.

The Board members denied their liability. Directors' and Officers' Liability Insurance covered the Board members' legal expenses.

The insurance did not cover the managing director's legal expenses or damages because the managing director had committed a deliberate crime.



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