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# Are you walking through a legal minefield?

## *What's happening to Directors and Officers?*

An onslaught of claims that hold decision-makers to even higher standards of accountability are sending ominous signals throughout our economy. Even directors and officers who mind the rules still tread in exploding fields.

Here are some of the planted mines:

- Numerous and ever changing Federal Laws.
- Mergers and acquisitions
- The rapid pace of business
- Distributing new products
- Firing people in restructuring
- Hiring people in a start up
- Trying to comply with American Disabilities Act
- Promoting a woman over a man or a man over a woman
- Issuing new or additional stock
- Making projections to the press about stock earnings

Let's look at this problem in two ways.

1. You're asked to join a Board
2. You ask someone to join yours

The first obstacle to overcome is the trust of the court system to deliver justice if you're sued. If there is no trust and you can be sued "just because," your first and maybe only line of defense is Director's and Officers Liability Insurance.

Add that most corporate indemnity and state statues limiting your exposure aren't broad enough to protect you, so insurance may be your only choice.

Even a private company's officers and directors can be sued by government agencies, competitors,

contractors, vendors, employees, or customers.

There is no standard Director's and Officers Insurance Policy. Each one is different, so make sure all the fact about how your company does business are known, including your compliance policies.

Start by learning all about the exclusions. Ask for interpretations of any wording you don't understand. The language of exclusions can be too broad and deliberately ambiguous.

Will the insurance company advance at least part of your defense costs or will they pay the attorney to defend you, or do you have to pay and be reimbursed upon settlement? These type cases can take years to settle.

If you operate in more than one industry, are you covered for all of your acts?

If you must make a choice what premiums to cut, cut in areas where you know the potential loss, not Directors and Officers, where the loss might be unlimited.

Your duties as a D and O's require you not to partake in personal activities that injure or take advantage of your company in any way. Simply said, tell the truth, the whole truth and nothing but the truth all the time. Never fiddle with your financial statements. Don't preship goods. Don't let marketing people make side deals that favor big customers to the detriment of other customers.

And, maybe this is one insurance policy you should have in your hip pocket.

