



Who Needs Personal D&O Insurance?

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If you were a director of a company in Singapore before 1997, then chances are that you were not covered by D&O Insurance. Throughout the Asia-Pacific region, for that matter, D&O Insurance was once in very low demand. Then the Asian financial crisis erupted. In the space of just a few months, the Thai stock market dropped by 75%, Indonesia’s official interest rates reached 65%, and in Korea both Kia motors and Daewoo Motors were acquired under rescue packages.

The Rise of D&O Insurance

Asian economies recovered from the crisis, but as foreign capital was invested into newly-privatized companies a change in the attitude of Asia’s directors emerged. The dramatic events of the crisis had heightened awareness of the risks faced by directors. There was

a new and heightened awareness of the importance of sound corporate governance, championed by the Singapore Institute of Directors and other organizations. Directors of Asian companies also began to think differently about D&O Insurance, to the extent that by 2006 a Lloyd’s Underwriters survey would reveal that

63% of Asian directors considered D&O Insurance either “important” or “extremely important”. All the signs indicated that throughout Asia, but particularly in more developed countries like Singapore, there would be a boom in legal actions against directors and a corresponding boom in the demand for D&O Insurance.

The Singapore Experience

So, has Singapore experienced this boom? Well, not exactly. In the last few years there has been an undoubted increase in the number of legal actions against directors, particularly those brought by Singapore’s regulatory authorities, but not the predicted explosion of litigation. It is also clear that more companies in Singapore are buying D&O Insurance than ever before, but it is still not a mainstream class of insurance. What we have seen in Singapore is a gradual shift

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rather than a boom. As a result, there is a divergence of opinions amongst Singapore's directors on the relative importance of D&O Insurance.

Problems With Traditional D&O Insurance

What this means today at the board level is that some directors will see D&O Insurance as more important than others. There are many reasons for this; independent directors, directors who are about to retire, and directors who are simply more conservative in facing personal liabilities will all place a higher value on D&O Insurance. The problem is that traditional D&O Insurance is purchased collectively, so directors need the support of the entire board to purchase cover, and then need to reach agreement on an adequate limit of indemnity. Unfortunately, this means that there are many Singapore companies that are yet to take up D&O Insurance.

Even in cases where D&O Insurance cover is purchased, directors cannot assume that they are protected. In cases where a director is accused of wrongdoing by his or her company, that company may well seek to block access to the D&O Insurance policy. This is also a problem where one director is accused of wrongdoing by another director. Such cases, where a director is sued by his own company or by fellow

directors, are actually some of the most common sources of claims.

And the fact that a company is purchasing D&O Insurance today does not mean that cover is assured for the future. D&O Insurance is written on a "claims made" basis. This means that if a policy is not renewed, cover for future claims will immediately cease. For directors who resign or retire, there is no guarantee that cover will still be available should they be subsequently targeted in a legal action.

Personal D&O Insurance

In response to this issue, the SID and Aon Singapore have developed a unique Personal D&O Insurance policy. Available exclusively to members of the SID, Personal D&O Insurance will enable Singapore's more risk-conscious directors to hold a S\$1 million policy exclusively for their own protection. Personal D&O Insurance provides important peace of mind for directors without the need to convince an entire board of the merits of the cover, or arguing about an appropriate limit and

the associated cost. Directors with SID membership will be able to access a S\$1 million Personal D&O Insurance policy covering up to three directorships at an annual premium of S\$1,000, and will be entitled to ask their companies to pay that premium on their behalf.

Who Needs It?

Of course, it is not only full-time company directors who will benefit from the introduction of Personal D&O Insurance. Accountants, lawyers, and other professional who accept temporary or permanent positions on the boards of their client companies have an obvious need for such a portable, personal cover. Companies that are trying to attract top talent to their board may also offer a Personal D&O Insurance policy as an extra inducement. The key benefit of this policy is its inherent flexibility.

Ten years on from the Asian financial crisis, a truly global financial crisis has claimed some of the world's major financial institutions and left the economies of several countries in tatters. As the painful lessons of this most recent downturn are learned, focus is likely to turn again to questions of corporate governance and the performance of directors. In such an environment, we believe that the case for a Personal D&O Insurance policy is stronger than ever, and we are delighted to partner with the SID to provide it.

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Personal D & O Insurance

Many Singapore company directors worry that their company does not buy or renew D&O Liability insurance, that the coverage is not adequate, or that the policy may not be activated to protect them when the need arises. For directors who resign or retire, there is no guarantee that cover will be still be available should they be subsequently targeted in a legal action.

Wouldn't it be nice if you could buy an extra level of protection on your own?

NOW YOU CAN. Aon Singapore in partnership with the Singapore Institute of Directors (SID) has developed Singapore's first ever Personal D&O Insurance policy. With a limit of up to S\$1 million and cover for up to 3 separate directorships, you can now decide for yourself the level of protection you desire.

This policy covers costs incurred in defending a claim, plus settlements and awards of damages and costs. It is exclusively underwritten by Allianz Insurance Company of Singapore for members of SID (SID has arranged this coverage as an additional service to its members and has no financial benefits whatsoever in this arrangement).

If you have always wanted a D&O policy with your name printed on it and a limit that will be there when you need it, then this policy is for you. Because when it comes to protecting your personal assets, sometimes you need something all to yourself.

Please contact SID at telephone no. 6227 2838 for more information or call Ms Gladys Ng, Aon Singapore at telephone no. 6239 8880 for an over-the-phone quotation.



AON SINGAPORE PTE LTD

PERSONAL DIRECTORS' & OFFICERS' LIABILITY INSURANCE

NOTICE TO THE PROPOSED INSURED

1. Disclosure of Relevant Facts

Your Duty of Disclosure

Before you enter into a contract of general insurance with an insurer, you have a duty to disclose to the insurer every matter which you know, or could reasonably be expected to know, is relevant to the insurer's decision whether to accept the risk of the insurance and, if so, on what terms.

You have the same duty to disclose those matters to us before you renew, extend, vary or reinstate a contract of insurance.

Comment

The requirement of full and frank disclosure of anything which may be material to the risk for which you seek cover (eg. claims, whether founded or unfounded, being made against directors and officers), or to the magnitude of the risk, is of the utmost importance with this type of insurance. It is better to err on the side of caution by disclosing anything which might conceivably influence the insurer's consideration of your proposal.

2. Claims Made Policy

This proposal is for a "claims made" policy of insurance. This means that the policy covers you for claims made against you and notified to the insurer during the period of cover. This policy does not provide cover in relation to:

- events that occurred prior to the retroactive date of the policy (if such a date is specified);
- claims made after the expiry of the period of cover even though the event giving rise to the claim may have occurred during the period of cover;
- claims notified or arising out of facts or circumstances notified (or which ought reasonably to have been notified) under any previous policy;

- claims made, threatened or intimated against you prior to the commencement of the period of cover;
- facts or circumstances of which you first became aware prior to the period of cover, and which you knew or ought reasonably to have known had the potential to give rise to a claim under this policy;
- claims arising out of circumstances noted on the proposal form for the current period of cover or on any previous proposal form.

However, where you give notice in writing to the insurer of any facts that might give rise to a claim against you as soon as reasonably practicable after you become aware of those facts but before the expiry of the period of cover, the policy will, subject to the terms and conditions, cover you notwithstanding that a claim is only made after the expiry of the period of cover.

You should familiarise yourself with our standard form of policy for this type of cover before submitting this proposal.

3. The Applicants for Insurance

In this proposal the Applicants for insurance are :

- The Corporation (that being the company or organisation named in this proposal, and includes any Subsidiary thereof);
- The Insured Person(s) as defined in the policy wording; and
- Any Outside Entity or Outside Directorship for which cover is sought.

Before completing this proposal, enquiries should be made with each proposed Insured Person in relation to the questions and declarations to be completed on their behalf.



Important

- Please answer ALL questions fully. If there is insufficient space please provide details on your letterhead.
- Where provided, tick (☐) appropriate box to indicate answer.

1. Details of Applicant

(a) Name of the Director or Officer.

(b) Residential Address:

(c) Date of Birth : ____ / ____ / ____ .

(d) Qualifications:

(e) SID Membership Number: _____.

2. Details of Directorships

Up to three Directorships may be nominated.

	Directorship One	Directorship Two	Directorship Three
Company Name			
Date of Incorporation			
Country of Incorporation?			
Business Activities?			
Stock Exchange Listing?	Yes/No	Yes/No	Yes/No
Current Group D&O Insurance?	Yes/No	Yes/No	Yes/No



3. Claims History of the Applicant

After full enquiry,

- (a) Has there been or is there now any prior or pending **Claim** against the Applicant, in their capacity as a director or officer of any company, organization, association, or trust? Yes No
- (b) Has there been or is there now any prior or pending litigation against the Applicant? Yes No
- (c) Do any circumstances exist that might give rise to a **Claim** against the Applicant? Yes No

If you have answered Yes to either part (a), part (b) or part (c) above, please supply details.

4. Claims History of the Companies

In respect of the **Companies** listed in Section 2 above, after full enquiry,

- (a) Has there been, or is there now any prior or pending action, litigation or other proceeding against the **Companies**, including but not limited to any action, litigation or other proceeding brought under or pursuant to any Federal, State, or local legislation? Yes No
- (b) Has there been or is there now any prior or pending investigation, examination, inquiry or other proceedings in relation to the affairs of the **Companies**? Yes No
- (c) Do any circumstances exist that might give rise to any event described under (a) or (b) above? Yes No

If you have answered Yes to either part (a), part (b) or part (c) above, please supply details.

5. Merger, Acquisition or Takeover Activity

In respect of the **Companies** listed in Section 2 above, after full enquiry

- (a) Have the **Companies** been involved in any merger, acquisition, takeover or divesture in the last three (3) years? Yes No
- (b) Are the **Companies** considering any merger, acquisition, take-over or divesture proposal as present? Yes No
- (c) Are the **Companies** subject to any takeover attempt, or has there been any attempted takeover of the **Companies** in the last three (3) years? Yes No

If you have answered Yes to either part (a), (b) or (c), please supply details.



6. Insurance Cover

- (a) Has the **Applicant** or any of the nominated **Companies** ever been refused this type of insurance, or had similar insurance cancelled, or had an application of renewal declined, or had special terms imposed?

Yes No

If Yes, please supply details.

7. Application for Cover

- (a) Limit of Indemnity required: **S\$1 million**
- (b) Deductible/Excess requested: **Nil**

8. Declaration

I/We the undersigned authorized **Applicant**, after enquiry declare as follows:

- (1) I am authorized to make this Proposal.
- (2) I have read and understood the Notice to the Proposed Insured on the front of this Proposal.
- (3) I have read this Proposal and the accompanying documents and acknowledge the contents of same to be true and complete.
- (4) I understand that, up until a contract of insurance is entered into, I am/We are under a continuing obligation to immediately inform the insurer of any change in the particulars or statements contained in this Proposal or in the accompanying documents.

Although the signing of this Proposal does not bind the Applicants to effect insurance, the Applicant acknowledges that the particulars and statements contained in this Proposal and in the accompanying documents shall be the basis of the contract should a Policy be issued; and further, the Applicant acknowledges that the Proposal and the accompanying documents will be incorporated in the Policy.

Signed, the Applicant : _____

Date : ____ / ____ / ____

Please return the completed form to

<p style="text-align: center;">Aon Singapore Pte Ltd</p> <p style="text-align: center;">C/O Singapore Institute of Directors 3 Shenton Way #15-08 Shenton House Singapore 068805</p> <p style="text-align: center;">Email: secretariat@sid.org.sg TEL (65) 6227 2838 FAX (65) 6227 9186</p>

Personal D&O Insurance – Frequently Asked Questions

What is the policy limit?

The limit of indemnity is S\$1 million in the aggregate.

What is the excess amount?

No deductible applies.

What is the period of cover?

Cover is based on a period of insurance of 12 months. All policies have a common due date of 1 May.

What is the coverage?

Coverage is based on the Allianz Platinum D&O Insurance Policy wording amended to provide cover to an individual director.

What types of claims can arise?

Typical claims that can be brought against directors and officers include:

- Claims that directors failed to inform shareholders of the correct financial position of the company.
- Claims that directors have breached a confidentiality requirement by unintentionally releasing private company information.
- Claims by competitors that directors have breached copyright or have illegally copied a financial product or strategy.
- Claims that directors have defamed a competitor.
- Claims that directors failed to properly supervise the activities of the company. Such claims can arise when a company is found to have failed to comply with regulations regarding licensing, or compliance with securities trading laws.
- Claims that directors had breached employment laws regarding wrongful dismissal, harassment, denial of opportunity or similar matters.
- Claims that directors acted dishonestly in dealing with business partners in joint ventures.
- Claims that directors allowed a company to continue trading when they were aware that it was insolvent.

Will I be covered for a criminal prosecution?

It is not possible to purchase insurance protection against criminal prosecutions, or the resulting fines or penalties. However, the policy provides cover for the cost of successfully defending a criminal prosecution.

How many directorships can I include?

Each insured director may nominate up to three separate directorships for cover. Directorships are accepted from all industries with the exception of financial services companies, companies listed outside of Singapore, and companies with a negative net worth.

Who can apply?

The policy is available exclusively to members of the SID.

I am not an SID member. How can I apply?

You can obtain a provisional policy, which will be converted into coverage on confirmation of your successful application to become a SID member.

What is the cost?

A fixed annual premium of S\$1,000 plus GST is payable. Companies are entitled to pay this premium on behalf of their directors.

Who is the insurer?

The policy is underwritten by Allianz Insurance Singapore

What is the role of SID in the policy?

SID takes no commission in assisting our members to process the application. We will forward the application to the broker/insurer for processing and assume no responsibility for delay or rejection.