


DIRECTORS, OFFICERS & TRUSTEES INSURANCE: POLICY STRUCTURE



Directors, Officers & Trustees Liability Insurance Policy

Provides coverage for individuals

TRIGGER

Actions of D&O&Ts that aren't indemnifiable (When a company/trust can't indemnify the individuals)

PAYS

On behalf of D&O&Ts

POLICY RETENTION/DEDUCTIBLE

None

A

Corporate Reimbursement Section

TRIGGER

Actions of D&O&Ts that are indemnifiable

PAYS

On behalf of entity to fund indemnifications

POLICY RETENTION/DEDUCTIBLE

Applies

B

Entity Coverage (Covering the company)

TRIGGER

Actions of entity for securities claims

PAYS

On behalf of entity for securities claims

POLICY RETENTION/DEDUCTIBLE

Applies

C

Insuring Clause A:

Insuring Clause A of the D&O&T policy extends coverage to the individual directors and officers in the event the corporation cannot provide indemnification to them for their wrongful acts. The most notable example of these types of claims are bankruptcy claims where the corporation does not have the financial wherewithal to honor their indemnification obligation or derivative action matters where the corporation may be prohibited from providing indemnification.

Insuring Clause B:

Insuring Clause B is designed to cover the corporation for their indemnification obligation to the individual directors and officers. This provides a transfer of risk for the corporation to help protect their balance sheet and to help back up their indemnification responsibilities to the individual directors, officers and trustees. Most D&O&T claims against the individual directors and officers fall into this category.

Insuring Clause C:

Insuring Clause C extends coverage to the corporate entity for its own obligations, specifically only with respect to securities claims. Although coverage maybe extended to Employment Practices Liability and Pollution related claims.

4 Program Structure Examples

	Traditional	Side-A Excess	Side-A Stand-alone	Side-A Excess DIC (DIC=Difference in Conditions)
\$20M	A B C	A	A	A Applies excess & drops down if Traditional A is not available and where the exposures are not covered
\$10M	A B C	A B C	A B C	A B C