

DIRECTORS & OFFICERS LIABILITY

Directors & Officers (D&O) Liability protects banks and their directors, officers, and employees for claims arising out of actual and alleged errors and misdeeds and provides Side A, Side B, and Side C coverage.

- **Side A** provides direct indemnification to directors and officers for Wrongful Acts for which the bank is not legally required to indemnify, such as shareholder derivative suits, securities law violations or bank insolvency.
- **Side B**, also known as **Corporate Reimbursement Coverage**, pays on behalf of the bank for Wrongful Acts for which the bank *is* legally required to indemnify its directors, officers, and other Insured Persons.
- **Side C** protects the bank for **Securities** claims (claims arising out of the issuance, purchase, and management of the bank's own securities).

KEY COVERAGE ADVANTAGES

- **SHARED OR SEPARATE LIMITS** available
- **VARIABLE SIDE A LIMIT OPTIONS** | Purchasing a separate limit of liability for Side A claims has always been possible. Now there is an option to purchase just the right amount of separate Side A limit for you. For example, if you have a \$5 million D&O policy, qualifying banks have the option of purchasing a separate limit for Side A claims in amounts anywhere from \$250,000 up to \$5 million.
- **NONRESCINDABLE SIDE A**
- **SHAREHOLDER DEMAND INVESTIGATIVE COVERAGE** | \$250,000 sublimit standard
- **REPUTATIONAL EXPENSE EXTENSION** | Coverage for crisis expenses incurred by the company in response to a catastrophic event that results in a limits loss claim or a significant impairment of the company's market capitalization as a result of a covered claim.
- **BROAD COVERAGE FOR CONDUCT CLAIMS** | **Conduct Claims** (claims involving fraud and illegal profit) are covered until final, non-appealable adjudication. Related **Defense Costs** are paid regardless of final, non-appealable adjudication, with no claw back requirement.
- **FULL SEVERABILITY**
- **NO EXCLUSIONS FOR**
 - Lending discrimination or most other violations of lending laws
 - Insider and insider affiliated loans
 - War
 - Professional services (exceptions apply)
 - Regulatory claims
 - Securities offerings
- **BROAD D&O COVERAGE** | Directors and Officers retain coverage under Sides A and B for most professional services, regulatory, and securities claims.

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CLAIMS EXAMPLES

- **SIDE A CLAIM** | The board of directors invested heavily in subprime vehicles, contrary to its own investment policy. Subsequent to a regulatory review, the bank had to record a \$17 million markdown to these vehicles which precipitated a drop in capital. The regulators issued a cease and desist order against both the bank and the board. The bank ultimately failed and the FDIC made a demand on the former directors and officers for payment of civil damages alleging negligence, breach of fiduciary duty, unsafe and unsound investments made.
- **SIDE B CLAIM** | A shareholder of the bank claimed that the board of directors diluted her ownership interest from 20% to 10% by changing the articles of incorporation and other unauthorized transactions. Allegations against the board included financial misrepresentation, collusion, and conspiracy to commit fraud. The case settled for \$1.1 million inclusive of a \$600,000 settlement and \$500,000 in defense costs.
- **SIDE C CLAIM** | Following a regulatory examination citing poor loan quality and a subsequent external audit, a bank is required to restate earnings. The restatement indicates that the bank's financial condition is significantly worse than initially reported. A group of shareholders files suit against the bank and the board of directors alleging securities fraud. While depreciation in value of securities due to market fluctuation unrelated to any Wrongful Act is not covered, defense costs incurred to defend the bank and directors are covered.