

# Outside Directorship Liability Insurance

*From Chubb Executive Protection*

**The threat to a company of outside directorship liability is every bit as significant as that of direct directors and officers liability.**

Companies often encourage their employees to contribute their time and talents to community activities, including service as directors, officers, or other leaders of nonprofit and for-profit organizations. However, although outside board directorships can be a useful extension of corporate activity and represent good corporate citizenship, in today's changing world they can also create complicated liability issues and unintended losses for the company and the individuals who serve.

Just as liability exposures of corporate directors and officers have increased dramatically in recent years, outside directorship liability (ODL) exposures have also increased. Virtually all companies face ODL exposures when their employees participate on the boards of outside organizations, yet the risks associated with outside directorships are not well understood. Few companies have taken the initiative to identify their potential exposure to ODL loss.

In response, Chubb offers our comprehensive **ODL System**, an efficient way to facilitate risk identification, internal communication, and risk transfer.

## **LOSS CONTROL AND CHUBB'S ODL SYSTEM**

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Realizing that few companies understand the extent of their ODL exposures, Chubb designed the ODL System as a loss control methodology to help companies quantify and understand their risk. The ODL System effectively organizes ODL exposure analysis by providing corporate risk managers with a useful aide to:

- Assist in identifying the outside directorship positions held by employees.
- Facilitate and document the company's decision to approve or disapprove indemnification to its employees who serve on outside boards.



**CHUBB EXECUTIVE PROTECTION**

Chubb Group of Insurance Companies



- Formally communicate to employees the company's decision concerning indemnification.
- Summarize applicable legal and procedural matters necessary for employees to obtain indemnification.
- As separate coverage, our **Outside Directorship Liability (ODL) Insurance** policy provides a separate and distinct limit independent of a company's directors and officers (D&O) liability limit.

*A World of Risk. A World of Coverage.*

#### **CHUBB OUTSIDE DIRECTORSHIP LIABILITY INSURANCE PROTECTION FEATURES INCLUDE:**

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- *Blanket insurance for nonprofit organizations.*
- *Optional insurance available for other outside directorships.*
- *Separate limits from Chubb's D&O Liability Insurance coverage.*
- *Broad definition of claim.*
- *Policy limits up to \$25 million are available.*
- *"Claims made" coverage*—We write our policy on a "claims made" basis.
- *Extended reporting period*—Whether our customer cancels the policy, or Chubb chooses to nonrenew coverage, our policy entitles the customer to purchase an extension of coverage for subsequent claims alleging wrongdoing prior to the cancellation or non-renewal.
- *Worldwide coverage*—Chubb's policy reimburses covered losses that occur anywhere in the world.

#### **THE CHUBB ADVANTAGE**

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Chubb has earned its leadership position in the ODL insurance marketplace by reaching beyond typical insurance protection for corporate management and by consistently providing broad coverage, superior service, outstanding expertise, and unflinching commitment to helping companies solve their executive protection problems. In particular, we stand apart from other insurers in numerous key areas:

**Financial stability**—Our financial stability and ability to pay claims rate among the best in the insurance industry, as attested by Standard and Poor's and A.M. Best Company, two of the leading insurance rating agencies. Agents, brokers, and prospective customers often seek out our services because our reputation in the market is well known.

**Innovation**—We're not afraid to tailor our product to meet a customer's specific needs. Typically, our insurance products include enhancements and specific coverages that are missing or even excluded from other policies in the industry.

**Experience and expertise**—We have more than 20 years of experience insuring the complex risks of corporate business leaders. Our depth of understanding of directors' and officers' roles and exposures allows us to provide bold, clean, broad coverage that

stands out in the market. Our worldwide presence means a company's management leadership has a trusted ally no matter where the company does business.

***Commitment to customers***—We underwrite selectively because we strive to build strong business partnerships with our customers over time. We designed the ODL System precisely because we understand that our customers need help in assessing and understanding the unique exposures of outside directors. We provide a comprehensive Outside Directorship Liability Insurance policy that is built to last and designed to protect customers when they need that protection the most.

***Claims philosophy of fairness***—Our claim examiners are experienced in outside directorship liability matters and are committed to a high level of professionalism, open dialogue, and the amicable resolution of disputes whenever possible. Our philosophy is one of cooperation and partnership with producers and customers to provide both a vigorous defense against meritless claims and appropriate settlements where warranted. Our reputation for expert, fair claims handling is renowned in the industry.

## **DON'T TAKE A CHANCE**

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If ignored, ODL exposures can ruin an otherwise well-conceived risk management program for executives and result in embarrassing (at best) and devastating (at worst) liability for a corporation and its executives.

Don't take any chances. Turn to Chubb, your trusted executive protection ally. **Executive Protection Portfolio Outside Directorship Liability Insurance** from Chubb is available through your trusted Chubb-appointed agent. For more information, contact your agent or broker, email [csi-info@chubb.com](mailto:csi-info@chubb.com), or look on the Internet at <http://csi.chubb.com>.

### **JUST AS LIABILITY**

**EXPOSURES** of corporate

directors and officers have increased

dramatically in recent years, outside

directorship liability (ODL) exposures

have also increased.

*Executive Protection Portfolio is a comprehensive insurance solution from Chubb, specifically designed to help publicly owned companies cope with potentially devastating threats to their financial well-being. With Executive Protection Portfolio, companies have choice and flexibility in managing their most complex and catastrophic exposures. Coverages include Crime Insurance, Directors and Officers Liability Insurance, Employment Practices Liability Insurance, Fiduciary Liability Insurance, Kidnap/Ransom and Extortion Insurance, and Outside Directorship Liability Insurance.*



**CHUBB EXECUTIVE PROTECTION**

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For promotional purposes, Chubb refers to the member insurers of the Chubb Group of Insurance Companies underwriting coverage: Chubb Insurance Company of Europe, S.A.; Chubb Insurance Company of Australia, Limited; Chubb Indemnity Insurance Company; Chubb Insurance Company of Canada; Chubb Argentina de Seguros, S.A.; Chubb do Brasil Companhia de Seguros; Chubb de Chile Compañía de Seguros Generales, A.S.; Chubb de Colombia Compañía de Seguros, S.A.; Chubb de Mexico Compañía Afianzadora, S.A. de C.V.; Chubb National Insurance Company; Federal Insurance Company; Great Northern Insurance Company; Northwestern Pacific Indemnity Company; Pacific Indemnity Company; Vigilant Insurance Company; Executive Risk Indemnity Inc.; Executive Risk Specialty Insurance Company; and Quadrant Indemnity Company. Not all insurers do business in all jurisdictions.

This literature is descriptive only. Actual coverage is subject to the language of the policies as issued.

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