



Benefits Insights

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D&O Insurance for Private Companies

With today's emphasis on corporate transparency and accountability, an organization's directors and officers face a countless number of exposures. Regardless of your company's size or mission, the legal costs associated with a lawsuit can be crippling for both the organization and your directors and officers. Many wrongly assume that directors and officers (D&O) insurance is only necessary for publicly traded companies. However, privately held organizations can just as easily fall victim to lawsuits that can impact the company, its officers and board, making D&O insurance a must. Specifically, D&O insurance can provide the following benefits to privately held companies:

- Coverage for manufacturing or production flaws. One of the key features of product liability insurance is its coverage for manufacturing or production flaws that cause unsafe defects in the product.
- Legal cost reimbursement. In the event of a claim, D&O policies can provide legal cost coverage for a variety of claims. Specifically, D&O insurance can provide reimbursement to leaders of private companies following allegations of wrongful acts, financial mismanagement, errors in judgment and negligence. Because D&O lawsuits can occur without warning and easily reach six figures, it's critical that private company leaders arm themselves with the right policy.
- Peace of mind. D&O claims can come from a variety of sources, including employees, clients, contractors and government bodies. For private companies, claims from creditors and competitors are particularly common. D&O insurance ensures that private company leaders are protected regardless of where claims originate, providing timely and effective coverage.
- An improved ability to attract new directors. Simply put, having a strong D&O policy in place makes board seats more attractive. This is because purchasing insurance shows prospective leaders that you take D&O risks seriously and are prepared to protect them in the event of a claim.
- Coverage for regulatory exposures. Regulatory agencies are increasing their scrutiny of private companies, making D&O insurance all the more important. Paying the cost of an attorney to defend a director or officer against a government enforcement action is expensive, and private company D&O insurance policies can help with these types of expenses.

Want to Learn More About D&O Insurance for Private Companies?

Many private organizations don't believe they need D&O insurance. This can be dangerous thinking, as just one D&O claim can drain the personal assets of a company's leadership team. To learn more about D&O insurance, contact your insurance broker today.



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