

Directors' & Officers' Liability Insurance

for Residential Management Companies

Taking on the role of a Director within your management company may expose you to personal financial risk. You can take out insurance to protect yourself against this.



Volunteering yourself to become a Director of the company that manages a block of flats has many advantages, but by becoming a Director of the company you could be exposing yourself to potential financial risk.

If you make a decision that causes a financial loss to someone, perhaps another leaseholder or a contractor, you could be personally financially liable. Or perhaps you unintentionally fail to comply with some regulations. Whether or not you are aware of them, you could still be personally liable for this failure.



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The likelihood of being held liable may be small, but if something does happen, the consequences can be serious. It is important that you have specialists on your side to help you when you need them.



By taking out a Directors' and Officers' insurance policy through Deacon, you have the reassurance of a policy that has been specifically developed for Directors' and Officers' of Residential Management and Right to Manage companies. And because policies are developed for specific risks, they can be cost effective for the security they provide.

Here are some examples of likely scenarios:

A lady discovered there was a 'no pet policy' for a property she was interested in purchasing. Being a pet owner this made her decline further proceedings. Later that year she happened to notice a dog in the window of the same flat at the block. Feeling unfairly treated and misinformed she decided to take the directors and officers of the property to court. It transpired the dog belonged to a visitor not the owner and she lost her case. Court and legal fees were covered by the Directors' D&O insurance but they still had to give up their time and endure the hassle involved.

Directors of a block of flats installed an automatic lighting system to help save the block money and reduce their carbon footprint. Unknowing to them a Jewish family living at the property were outraged, as Jewish law prohibits the operation of electrical devices between dusk on a Friday until sunset on Saturday, 'Shomer Shabbos'. A claim was filed and won, resulting in the automatic system being replaced with a suitable system.

A director failed to identify and rectify essential repairs within his block of flats. As a result the lessees saw the value of their property/investment fall and a law suit was filed. The insurers helped defend the client where possible and paid compensation to the disgruntled lessees.

An independent contractor was appointed by property directors to provide quotes for essential works and improvements. Without consulting the other lessees, the directors instructed the tradesmen to carry out the works. Insufficient funds were available to cover the costs and the directors were liable for the costs involved. Directors' and Officers' cover assisted in defending the directors and covering the claim made.

A disgruntled employee, working at a block of flats, filed a law suit against the limited company for alleged discrimination, suing for compensation. The company used their Directors' and Officers' insurance to fight the allegations and cover legal costs involved.



Top ten reasons to buy Directors' and Officers' cover

01



Litigation is on the increase

Directors of RMCs are usually volunteers who willingly give their time to help look after their block and their fellow leaseholders. Unfortunately, we live in an increasingly litigious society and in English Law directors of an RMC are treated exactly the same as the directors of a multi-million pound PLC.

06



Your fellow leaseholders could sue you

If the value of the properties in your block drop and it's found that the reduction in value can be traced to a breach of duty by the directors, it may have serious financial consequences.

02



RMCs are just as vulnerable as large companies

RMCs are not exempt from D&O claims, they face exactly the same risks and regulations as larger companies, but don't benefit from corporate legal teams – or bank balances to fund defending a claim.

07



When estimates go wrong

If you order work to be done on the premises that exceeds the estimate, and there is no money in the management fund to pay it, as a company director you could end up having to pay for it yourself.

03



Your personal assets are at risk

If you are a director of an RMC ignorance of the law won't protect you. If you are accused of breaching your duties, you may be personally liable to defend any claims. Your personal assets are potentially at risk if you do not have adequate D&O cover.

08



D&O claims are not usually covered under any other liability policy

A common misconception is that alleged misconduct by directors or companies is covered under other liability policies – it may not be!

04



Investigations by regulators are getting more and more common

As a Director of an RMC you are responsible for ensuring your block meets Health & Safety Executive guidelines. If a breach is discovered, you could be held personally liable and, in the worst case scenario if a fellow leaseholder or visitor suffered an injury on the premises, you may end up having to pay a fine or defend yourself in court.

09



D&O Insurance could be more affordable than ever

A D&O policy can cost from £120 per year for an RMC, yet the total cost of a D&O claim can run into thousands of pounds.

05



Defending legal action can be costly

Legal costs for defending allegations against a company director can run into thousands of pounds.

10



D&O cover may be a small price to pay

Having D&O insurance in place offers peace of mind to the volunteer directors who give up their time to help run your block.

Key features of our Directors and Officers Liability Insurance

The policy will provide you with cover against*:

- ✓ Legal liability for compensation awarded against you for wrongful acts committed in your role as director or officer – including any claimants costs you have to pay
- ✓ The costs of defending the claims made against you if there is a defence your insurers can use
- ✓ The costs of defending any employment related claims, including awards made if you lose the case, including claims made against the management company rather than you personally
- ✓ Costs incurred in defending you at a First Tier Tribunal at which you are named as a respondent
- ✓ Costs incurred in representing you in Court if charged with offences such as Corporate Manslaughter
- ✓ The reasonable costs for attending an investigation which you are legally obliged to attend

As you can see, there are two fundamental parts to the cover. Access to specialists to defend you against claims, and if this fails, payment of the compensation awarded plus claimants costs. With this protection in place, you can focus on your roles and responsibilities as a Director of the management company, confident that you are not putting your own finances at risk. *As with all insurance policies, the policy is subject to limits, conditions and exclusions. For more information please contact us to discuss further, or request a full summary of the cover or the full policy terms and conditions.

Plus! Our policy includes the following additional benefits as standard

- **Criminal or Fraudulent Acts - Cover extended to include 3rd Parties**
Should a third party, an employee or an insured person commit a crime resulting in financial loss to the company you could be compensated for this up to £100,000.
- **Entity Employment Practice Cover - Increased cover!**
The policy will now cover you up to £250,000 against costs of defending any employment related claims. This including awards made if you lose the case and including claims made against the management company rather than you personally.
- **Loss of documents**
We will now pay reasonable costs for the restoration or replacement of lost or damaged records, including financial documents kept on computer which you are legally responsible up to a limit of £100,000.
- **Taxes and employee compensation**
The policy includes cover for financial loss relating to corporate taxes owed by you up to £50,000. This also includes any employee compensation that is owed.
- **Enhanced Company contractual liability defence costs**
Legal costs for defending allegations against a company director can run into thousands of pounds. Our reduced exclusions and increased cover to £50,000 developed to make this cover more comprehensive.
- **Identity fraud**
If someone poses as you and then enters into an agreement with a third party, we will now pay reasonable fees and costs to help establish that such fraud has occurred.

We would like to thank Deacon, specialists in blocks of flats insurance for more than 28 years, for their help in preparing this insurance guide. This document is designed as a helpful introduction to insurance and is provided for information purposes only. It is not intended to be comprehensive nor does it constitute legal or other professional advice, or a recommendation of any product.

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