

# Application Form for Directors & Officers Liability Insurance

Underwritten by American Home Assurance Company, New Zealand Branch

(for Companies with assets of \$5,000,000 or less)

Broker House			Phone
Broker Contact			Fax
Insured Company	(Not publicly listed)		
Address			
Business Description			
When was the Company incorporated?		Number of Directors	
Total Assets (as shown in your last Annual Accounts)	\$		Total Liabilities \$
Last financial year turnover \$		Last financial year result (pre-tax)	\$
		<b>PROFIT</b>	<b>LOSS</b>

**Please answer the following questions: Please tick the box**

- |  |     |    |
|--|-----|----|
| After enquiry has there been or is there now pending a claim against a Director or Officer of the Company?   | Yes | No |
| After enquiry is any Director or Officer aware of any fact, situation or circumstance which may give rise to a claim against him or her?   | Yes | No |
| Has there been any administrative or regulatory proceeding or official investigation regarding any activity of a Director or Officer?  | Yes | No |
| Has the Company or any Director or Officer ever been refused this type of cover, had a similar policy cancelled or had special terms imposed?  | Yes | No |
| Has any Director or Officer been employed or engaged by or otherwise involved in a Company that has been in receivership or liquidation?   | Yes | No |
| After enquiry has any Director or Officer been involved in any criminal proceedings during the last five years?  | Yes | No |
| After enquiry is there now pending, or has there ever been any prosecution of any Director or Officer under the Fair Trading Act, Companies Act, Commerce Act or any other NZ legislation or other similar overseas legislation? | Yes | No |
| Is there any other information in your possession material to an estimation of the risk to be insured and / or information of any nature which the Insurer should be aware of?   | Yes | No |
- If you answer **YES** to any of the above questions, please give details:

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Limit of Indemnity Required	\$250,000	\$500,000	\$1,000,000	\$2,000,000
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**Declaration and Acknowledgment**

I/We hereby declare that the information and answers given in the application are true and correct and that all information that may be material in considering this application has been fully and accurately disclosed. I/We understand that the failure to provide this information may result in the application being declined, or the insurance contract being void from the beginning.

I/We undertake to inform American Home Assurance Company of any material changes to the business or information provided herein whether occurring before or after the completion of the insurance contract.

I/We understand that this application and any other information supplied by me/us shall be the basis of and incorporated in the insurance contract.

I/We acknowledge that the premiums quoted and charged to me will include a Brokers Documentation Fee and also that the Broker will be remunerated by means of Brokerage paid to them by American Home Assurance Company.

**Privacy Act**

Pursuant to the Privacy Act 1993 the following is brought to your attention:

1. This Application collects personal information about you.
2. The information is collected to evaluate the insurance you seek.
3. The intended recipient of the information is your Insurance Broker and American Home Assurance Company.
4. The information is being collected and held by your Insurance Broker and American Home Assurance Company.
5. You have rights of access to, and correction of, this information subject to the provisions of the Privacy Act 1993.

Signature	Date
Full name of signatory and position	

**FOR OFFICE USE ONLY**

Approved by.....	Premium Indication.....
Period of Insurance.....	Date.....
	to.....



## American Home Assurance Company

New Zealand Branch

*Incorporated with Limited Liability in USA*

A Member Insurance Company of American International Group

Level 5

164 Hereford Street

P.O. Box 1069, Christchurch

Phone 0-3 379 6260

Facsimile 0-3 366 1712

Recently changes to the law indicate an increasing need for Directors & Officers insurance. Under the new companies' legislation, the duties and responsibilities of Directors have increased. The duty of care on Directors has increased and Directors now have to meet the standards of a "reasonable" director.

In New Zealand there are seven major areas where directors may find themselves at risk. These are from:

Employees	Customers
Competitors	Creditors
Members of the Public	Government Bodies
Shareholders	

### LEGAL ACTION MAY RISE FROM:

Employees alleging unfair dismissal, discrimination or mismanagement of superannuation.

Customers or other alleging misrepresentation in public statements made by Directors or Officers or in advertising material disseminating by them.

Competitors alleging their business has been adversely affected by restrictive trade practices such as price fixing.

Creditors alleging the improper incurring of debts (by the company) or the illegal payment of dividends.

Investigations or examinations by a Government Body such as the Commerce Commission, the Inland Revenue Department etc.

Shareholders alleging negligent recommendations or public statements regarding takeovers or mismanagement of company assets.

These are obviously only a few examples of the many actions that could be brought by any one of the above interested parties.

### REAL LIFE CLAIMS EXAMPLES

#### CASE A

Claims by creditors against the shareholder and directors of a company in liquidation. Amount claimed was \$200,000. Even though no fault was found on the part of the directors, substantial legal costs had been incurred.

#### CASE B

Claim alleging personal liability of a director for negligent misstatement. Amount involved approximately \$100,000.

#### CASE C

AIG has incurred significant costs in a case where an insured was being investigated by the Commerce Commission. The investigation went on for some time and the legal costs were significant.

#### CASE D

A company started experiencing some liquidation problems. The board met and decided to ask the shareholders for more capital, thinking they only need a bit more capital and then they would come right. They received additional capital until the shareholders decided that it was no longer profitable for them to continue injecting cash into the company. The company went into receivership. A receiver was appointed, and a claim notified under the Directors & Officers policy for allegedly trading whilst insolvent.

This is a summary of coverage. For full coverage details please refer to the policy wording.

### Insurer Financial Strength Rating Insurance Companies (Rating & Inspections) Act 1994

*American Home Assurance Company (New Zealand Branch) has an AAA (Extremely Strong) insurer financial strength rating given by Standard and Poor's (Australia) Pty Ltd on 19 September 2000. The rating scale is:*

**AAA**  
*Extremely Strong*  
**BBB**  
*Good*  
**CCC**  
*Very Weak*

<b>AA</b> <i>Very Strong</i> <b>BB</b> <i>Marginal</i> <b>CC</b> <i>Extremely Weak</i>		
<b>A</b> <i>Strong</i>	<b>B</b>	<i>Weak</i> <b>R</b> <i>Regulatory Action</i>
		<b>NR</b> <i>Not Rated</i>
<b>Plus (+) or minus (-):</b> <i>The rating from 'AA' to 'CCC' show relative standings within the major rating categories.</i>		