

Insurance for Startups: Directors & Officers

Directors and Officers (D&O) insurance is a critical consideration for startups, as it protects both the personal assets of directors and officers and the company's financial health if they're sued for alleged wrongful acts while managing the business. We've outlined a few key reasons why startups should carry D&O insurance below:

PROTECTION FOR PERSONAL ASSETS

D&O insurance shields individual directors and officers from personal financial liability if they're sued for decisions or actions taken on behalf of the company. Startups face unique risks since leaders often make high-stakes decisions quickly, which can lead to disputes or lawsuits.

ATTRACTING TALENT AND INVESTORS

Experienced executives and board members typically expect D&O insurance to safeguard their interests. In addition, investors may require D&O coverage as a condition of funding to protect their

investments and ensure that the leadership can make decisions without the risk of personal lawsuits.

COVERAGE FOR VARIOUS TYPES OF CLAIMS

D&O policies can cover claims related to employment practices, regulatory investigations, mismanagement, breach of fiduciary duty, and misuse of company funds. For startups, regulatory scrutiny and claims can occur if a founder's decisions impact employee rights, financial reporting, or even the environment.

REDUCING FINANCIAL IMPACT ON THE BUSINESS

Legal expenses can cripple a startup's finances, so D&O coverage can help as it covers legal fees, settlements, and judgments, reducing the impact on cash flow. This can be especially crucial in the early stages when every dollar matters.

CONCLUSION

D&O coverage can help startups grow and retain experienced employees while also providing a safety net to ensure they have the financial security to drive them forward. Many factors come in to play when determining the right coverage for you and your business so reach out to discuss the best option for you.

If you have questions specific to your business, or would like additional information, please reach out to your HK Henderson Advisor.

**LET US HELP YOU
MANAGE YOUR RISK**

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