

Directors and Officers Enquiries on the rise in Africa.

As a specialist Reinsurance broker focusing on Africa, we have noticed a growing number of enquiries for Directors and Officers Insurance from our cedants across the continent.

D&O Insurance is payable to the Directors and Officers of a company, as indemnification for losses or advancement of defence costs in the event an insured suffers such a loss because of a legal action brought for alleged wrongful acts in their capacity as Directors and Officers. Such coverage can extend to defence costs arising out of criminal and regulatory investigations/trials as well; in fact, often civil and criminal actions are brought against directors/officers simultaneously. Intentional illegal acts, however, are usually not covered under D&O policies.

The decision to buy D&O insurance has always been a challenge for African business owners as the cover is only one part of a much wider portfolio. Unlike Employer's Liability insurance, D&O is not a legally mandated insurance in many African countries. This has historically led to a thinking that D&O insurance is a 'nice to have' option rather than a recognised business cost (such as property insurance).

With the rise of COVID-19 globally, the spike in demand has moved D&O Insurance from the 'nice to have' box to the 'must have' box. This can be attributed to the cover giving financial protection to Director and Officers if they are found to have made errors in the development of appropriate risk management and disaster recovery strategies prior to the COVID-19 outbreak; they could face actions from a broad range of stakeholders including employees, customers, creditors and regulators. Even false claims can incur significant legal costs!

Many African companies are now looking to protect themselves against uncertainties surrounding the wider economic outlook, litigious environment and employee actions. This is where we see the increased interest coming from. However, this interest has to be balanced with the clients need to reduce costs and avoid further significant financial outlay in the short term. This cost VS cover balance gives Insurers challenges as their policies (price and coverage) need to be attractive to their clients.

At Afro Asian we recognise these challenges and have built up great partnerships with reinsurers who are offering competitive terms to allow our cedants to give their own client base excellent solutions.

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