

Insurance to foot the bill for execs' foul-ups

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HYDERABAD: After many in their ranks were hit by a series of scams in the recent past, top executives around the world have rushed to cover their assets from potential litigation.

Now, insurance brokers say, Indian corporate honchos are joining in on this global trend. Following charges of embezzlement and fraud against top executives of corporate behemoths — Enron, WorldCom, Tyco, to name a few — insurers designed a policy for the directors and officers responsible for a company's business.

The Directors and Officers (D&O) policy is designed to protect the personal assets of the directors, officers and employees of an institution from losses arising from decisions which are 'wrongful'.

A wrongful act, according to industry experts, is any breach in execution of duty as per the prescribed guidelines. These losses covered by the policy include any amount which the insured director or officer is legally obligated to pay, including settlements, defence costs, pre-and post-judgment interest, and punitive or exemplary damages.

With executives from Indian firms such as Infosys and Polaris making headlines for all the wrong reasons, these D&O policies are getting a lot of buyers in this country. "The D&O policy is fast catching up in the Indian market. Many companies, particularly those dealing with international clients, are opting for the D&O cover," V Ramakrishna, managing director of India Insure, a leading insurance brokeship, said.

At least five companies in the city — Satyam, Dr Reddy's, Global Trust Bank and Infotech — have opted for the policy and the list is increasing by the day, sources said. The D&O policy, however, does not come cheap. A policy costs approximately Rs 4 crore to Rs 5.5 crore at a premium rate of Rs 40-55 per Rs 1000 (4 to 5.5 per cent of the sum assured). Many of the insurance companies offering the policy are seeking re-insurance from other firms.