

Defence Costs Liability

A practical solution from Vero Liability

Following the “Steigrad Decision” (where a court may determine that an Insurer cannot spend money on the defence of clients if that spend will erode policy limits available to pay a claim) Vero Liability responded to the market with a “ring fenced” Defence Costs solution for Directors & Officers covers.

Whilst the High Court decision has been challenged in the Court of Appeal the success or otherwise of the appeal may not be known for some time, possibly proceeding to the Supreme Court for final determination.

Our legal advice is that whatever the outcome, the “Steigrad” approach has revealed an unprecedented uncertainty as to the availability of an uncontested defence cost cover in standard Directors & Officers policies and, just as likely, in other costs inclusive claims made policies, principally Professional Indemnity and Statutory Liability.

Astute policyholders will recognise that any question mark hanging over the availability of defence costs cover is unacceptable; a robust and permanent solution is essential.

Vero Liability's new Defence Costs Liability policy provides that solution.

The Cover

The cover offers a simple way to ensure that your clients have an individually separate and distinct cover for defence costs across a complete range of claims made policies without the possibility of cover being denied or delayed by legal action under Section 9 of the 1936 Law Reform Act.

In addition, the policy provides for a “drop down” for defence costs indemnity if the underlying policy limits are eroded solely through normal claims attrition where there is no threat of a Section 9 charge.

The new policy can attach individually or collectively across all of VL claims made covers, namely:

- ▶ Directors & Officers
- ▶ Personal Directors & Officers
- ▶ Associations
- ▶ Trustees
- ▶ Statutory Liability
- ▶ Employers Liability
- ▶ Professional Indemnity

The new policy introduces unique features:

- ▶ Defence costs cover over a range of underlying policies where a Section 9 charge may apply
- ▶ A defence costs drop down cover over underlying policies irrespective of Section 9 charge
- ▶ A simple flexible wording reflecting the terms and conditions of the underlying policies

Policyholders need no longer be concerned about legal complications creating unexpected shortfalls in cover

The policy wording is available for examination by clicking on this link [Policy Wording](#).

Speak to your [VL Underwriter](#) to find out more or complete a [Proposal](#) with your client and submit it for a quotation.