

# Directors & Officers Liability Scorecard

Claims against directors and officers are becoming increasingly common. Your business could be sued by customers, current or former employees, competitors, regulators, creditors, vendors or even investors. This can happen even if your company is not a large, publicly traded organization.

The cost of defending directors and officers (D&O) claims can run well into the six figures, leaving a business financially crippled. Even worse, your directors and officers put everything they have on the line, because in the event of a D&O liability claim, even their personal assets may be at risk. As a result, D&O liability insurance has become an essential component of most businesses' insurance portfolios.

To help businesses better understand the level of risk their directors and officers face, CBIZ Insurance Services has developed this Directors and Officers Liability Scorecard.

**Instructions:** Note that each section will have its own instructions related to scoring. Please review them carefully. After you have completed all of the sections to the best of your ability, add up your score and determine your level of risk by utilizing the chart at the end of this document.

## Business Operations and History Scoring:

**YES:** 4 points    **NO:** 0 points    **UNSURE:** 4 points

Business Operations and History	YES	NO	UNSURE	SCORE
At any point in the past five years, has your business experienced any changes to its senior management?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
At any point in the past five years, has more than 50% of control of your business changed hands or been offered for sale?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
At any point in the past five years, has your business accepted outside investments?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Do you plan any private placements and/or has a private placement memorandum been shared with prospective investors in the next 18 months?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
At any point in the past five years, has your business filed for bankruptcy or breached any of its debt covenants, loan agreements or contractual obligations?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
At any point in the past five years, has your business or one of its directors, officers or employees been involved in a labor – or employment-related dispute or been accused of harassment or discrimination?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	



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## Business Operations and History Scoring:

**YES:** 4 points    **NO:** 0 points    **UNSURE:** 4 points

Business Operations and History <i>(continued)</i>	YES	NO	UNSURE	SCORE
At any point in the past five years, has an applicant or any person proposed for coverage been the subject of, or been involved in any of the following: <ul style="list-style-type: none"> <li>■ Antitrust, copyright or patent litigation?</li> <li>■ Civil, criminal or administrative proceeding alleging violation of any federal or state securities laws?</li> <li>■ Any other criminal actions?</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
At any point in the past five years, has your business made layoffs or staff reductions?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
At any point in the past five years, has your business made a substantial change to its operations or sources of revenue?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
At any point in the past five years, has your business hired an employee who had access to proprietary information, trade secrets or other forms of confidential business information at his or her previous job?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
At any point in the past five years, have any of your directors or officers made a material representation to potential investors, customers, contractors, suppliers or other third parties?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Business Operations and History Score:</b>				

## Directors & Officers Practice Scoring:

**YES:** 0 points    **NO:** 4 points    **UNSURE:** 4 points

Directors & Officers Practices	YES	NO	UNSURE	SCORE
Has your business established formal procedures to inform directors and officers of new developments within the company?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Has your business established a formal training process to ensure that directors and officers have a sound understanding of their duties, responsibilities, obligations and cyber procedures?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Does your business's bylaws and/or charter indemnify directors and officers to the fullest extent permitted under the applicable state and federal laws?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Does your business require its directors and officers to report all potential conflicts of interest?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Does your business require its directors and officers to document and justify all major decisions?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Does your business provide directors and officers with access to legal counsel when they are faced with difficult decisions or when requested?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	



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## Directors & Officers Practices Scoring:

**YES:** 0 points    **NO:** 4 points    **UNSURE:** 4 points

Directors & Officers Practices <i>(continued)</i>	YES	NO	UNSURE	SCORE
Does your business train all directors and officers on cyber security awareness and laws?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Has your business experienced changes to any outside directors?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
In the past five years, have there been any changes to your auditors or major banking relationships?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Directors &amp; Officers Practices Score:</b>				

## Human Resources (HR) Practices Scoring:

**YES:** 0 points    **NO:** 4 points    **UNSURE:** 4 points

Human Resources (HR) Practices	YES	NO	UNSURE	SCORE
Does your business have an HR department?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Does your business have an employee handbook that has been reviewed by legal counsel?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Does your business distribute a copy of your employee handbook to all employees, including those with managerial and supervisory responsibilities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Does your business require all employees to acknowledge receipt of your employee handbook?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Does your business have formal guidelines and written procedures to address compliance with the Civil Rights Act, the Americans with Disabilities Act, the Age Discrimination in Employment Act and any other applicable federal and state laws?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Does your business have formal guidelines and written procedures for disciplining and terminating employees?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Does your business have a formal process for addressing and resolving employee grievances?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Does your business have a formal process for conducting employee evaluations?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Does your business use biometrics and if so is a written policy in place in accordance with state law?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Does your business train all employees on cyber security awareness?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Human Resource (HR) Practices Score:</b>				
<b>Total Risk Score:</b>				

**MODERATE RISK:**  
0-40 POINTS

**HIGH RISK:**  
44-64 POINTS

**ESCALATED RISK:**  
68-100 POINTS

Leading or advising an organization can be very rewarding, but it is not without significant risk. Our experienced risk advisors can help your organization determine the appropriate level of protection in order to safeguard your firm from potential D&O liability. To learn more, contact a [member of our team](#) today.



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