

“The Answer”

Corporate Directors & Officers Liability and Employment Practices Liability Product

Claim Examples

- ▶ **By Employees:** Two weeks after being hired away from a competitor, a new employee was fired by the Company President who decided he had made a mistake in hiring this individual. The employee filed suit alleging the President had made statements misrepresenting the position. It took the jury less than three hours to find in favor of the employee and award \$300,000. Importantly, the jury also found the company president personally liable for his own acts whether or not committed when acting for the corporation. The defense counsel noted “Given the ruling in this case, it will be difficult to find anyone to serve as a corporate officer in Connecticut in the absence of extraordinary guarantees of indemnity and insurance coverage”.
- ▶ **By Shareholders:** A Shareholder sued the Board of Directors for the perceived breach of the duty of care in the sale of the organization. The suit was brought against the Board because the shareholder believed the organization was sold to a family member for an undervalued price. Defense and Settlement: \$90,000.
- ▶ **By Vendors:** Claimant filed suit against Company A and its President individually for Breach of Contract. They alleged the President promised them an exclusive contract but after nine months of the one year contract hired a different Vendor and terminated the contract. The claimant alleged they lost out on three months of business resulting in \$100,000 in lost income. Defense: \$180,000.
- ▶ **By Lenders:** The respected president of a locally prominent private company began “borrowing” money from the firm to cover personal losses. The President was successful in covering up the transactions for almost a year until the firm was finally forced to declare bankruptcy. A bank which had just renewed a large outstanding note sued the individual directors alleging breach of duty of care and misrepresentation of financial information.
- ▶ **By Creditors:** Company X filed for Bankruptcy due to poor market conditions. As a result, the company’s creditors filed a class action lawsuit alleging misappropriation of funds, breach of fiduciary duty and negligence against the Directors and Officers. A trial found that the company did in fact not handle their finances properly and had misled their creditors. Defense and Settlement: over \$1,000,000
- ▶ **By Competitors:** Company A filed suit against Company B for hiring one of their key employees. Company A alleged that Company B hired the employee and in the process stole trade secrets and customer information. Defense and Settlement: \$75,000.
- ▶ **By Buyer of the Company:** An investor purchased Company X for \$5 million. After the purchase, the investor realized the Officers and Board members did not properly disclose the true value of the Company’s assets. The Officers and Directors of Company X asserted all proper financial information was released to the investor. They were sued for the alleged inflated value of the company. Defense and Settlement: \$670,000.