



CLAIM SCENARIOS

PRIVATE COMPANY - DIRECTORS & OFFICERS LIABILITY

Breach of Duty of Care

Disgruntled shareholders of a technology company filed suit which sought the removal of the directors & officers from their positions on the board for misconduct and breach of duty. Allegations included embezzlement, coercion, theft, and conspiracy to convert the business assets for their own benefit. The Defense Cost exceeded \$300,000.

As a result, the plaintiff alleges it has suffered irreparable and immediate injury. In addition, the plaintiff alleges that the defendant has possession of its confidential information and intellectual property. The plaintiff asserts causes of action for misappropriation of trade secrets, confidential information, and unfair competition. Total Defense Cost and settlement exceeded \$450,000.

Shareholder Suit

An investment firm purchased a chain of hotels from a privately held company. A short time later they re-sold the hotel chain at a significantly higher price. Shareholders sued the Insured alleging the board of directors lack of due diligence and undervaluing the company resulting in a significant loss of shareholder investment value. A settlement over \$500,000 was rendered.

Misleading Statements

A class action suit was commenced by various investors who participated in an internet start-up company. The company raised approximately \$5M in a private placement to fund capital expenses, to provide working capital, and to cover operating losses. An investigation showed that the private placement memorandum contained an unaudited year end balance sheet and statement of profits and losses which were materially misleading. The Defense Cost and settlement exceeded \$500,000.

Class Action Suit

Students filed a class action suit against an Insured alleging the school's promotional material misrepresented the accreditation of one of the Insured's locations. Damages included expenses for additional classes and loss of income for class participants. The Defense Cost breached \$100,000.

Failure to Disclose

A manufacturing company received a complaint from an investor who alleges the company improperly induced the plaintiff to issue a note payable to the company. The plaintiff specifically alleges the company made false representations and other false statements regarding the company's forecasted rate of growth and failure to disclose its tax lien. The company defaulted on the promissory note when it failed to make the required principle and interest payments. The plaintiffs issued a demand letter and filed suit against the company. The plaintiff agreed to accept the company's offer to convert the promissory note to stock in the company, but the Defense Cost exceeded \$100,000.

Creditor Suit

Allegations by unsecured creditors state that the board of directors depleted the company assets by paying dividends and salaries to the director & officers prior to the sale of a company that was financially insolvent. The insurance proceeds paid out over \$1M.

Competitor Disputes

The plaintiff filed a complaint against their competitor alleging that a former employee, now working for the competition, engaged in unauthorized use of confidential and proprietary information and committed other acts of unfair competition.

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