

Private Company Loss Scenarios from Chubb



A Costly Misrepresentation

COVERAGE SECTION	Directors & Officers Liability
Cause of action	Misrepresentation
Type of organization	Private
Number of employees	230
Annual revenue	\$55 million

DESCRIPTION OF EVENT

An officer of XYZ Corporation held a conversation with a potential investor in which they discussed the future plans for the company, including the launch of new products over the coming six months. Based on this information, the investor committed over \$500,000 to the company. After a year, the products the investor had anticipated did not appear in the marketplace. During this time period, the value of the original investment declined. The investor sued XYZ and its directors and officers for misrepresentation, seeking over \$10 million in compensatory and punitive damages.

RESOLUTION

Following two years of litigation and \$250,000 in defense costs, the parties finally reached a settlement with the plaintiff for \$335,000.



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Could this happen to your organization? Contact your trusted Chubb agent or broker.

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