Private Company Loss Scenarios from Chubb



After Six Years, A Lawsuit

COVERAGE SECTION	Directors & Officers Liability
Cause of action	Breach of Fiduciary Duty, Fraud
Type of organization	Private
Number of employees	100
Annual revenue	\$16.4 million

DESCRIPTION OF EVENT

The president of a newly forming company, New Co., induced Doe to purchase a minority interest in the company by promising a substantial return on investment and substantial dividends. Nearly six years later, Doe sued New Co. and its president, alleging fraud, failure to comply with corporate by-laws, exclusion of minority shareholders from profits, squandering company assets, and breach of fiduciary duties. Doe demanded that corporate records be opened for inspection and that Doe be awarded damages of \$500,000. In its defense, New Co. said there was no wrongdoing and claimed that no loss had been suffered.

RESOLUTION

The parties settled for \$140,000. New Co. incurred \$25,000 in defense costs.



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

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Loss scenarios are hypothetical in nature and for illustrative purposes only. Whether or not or to what extent a particular loss is covered depends on the facts and circumstances of the loss and the terms, conditions, and endorsements of the policy as issued. It is impossible to state in the abstract whether the policy would necessarily provide coverage in any given situation. Consult your agent, broker, or other expert.