

# Private Company Loss Scenarios from Chubb



## Director Buys Company, Then Sues It

| <b>COVERAGE SECTION</b> | <b>Directors &amp; Officers Liability</b> |
|-------------------------|---|
| Cause of action         | Misrepresentation                         |
| Type of organization    | Private                                   |
| Number of employees     | 2   |
| Annual revenue          | \$2.9 million                             |

### **DESCRIPTION OF EVENT**

Jones, a director and an officer for ABC Company, led an effort by ABC to purchase the assets and book of business of XYZ Inc. Jones and ABC were both minority shareholders of XYZ. After the purchase was completed, Jones and ABC brought suit against XYZ and its directors and officers, alleging that it had made misrepresentations in connection with the purchase and sale of XYZ. Jones and ABC demanded \$800,000 in damages from XYZ.

### **RESOLUTION**

A settlement was reached whereby XYZ paid the plaintiffs Jones and ABC \$400,000. XYZ also incurred nearly \$150,000 in defense costs.



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

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