



## CLAIMS SCENARIOS:

### *Theft of trade secrets.*

<i>Coverage</i>	<i>Directors and Officer Liability</i>
Claim	Theft of trade secrets
Insured	XYZ Pty Limited
Company	Privately held
Number of Employees	325
Annual Revenue	\$80 million

#### **DESCRIPTION OF EVENT**

ABC Company sued directors and officers of competitor XYZ after three employees of ABC left to join XYZ. ABC alleged that the three were still employed by ABC when they began sharing proprietary information with XYZ. In the proceedings, ABC alleged theft of trade secrets. After more than a year of legal wrangling, the case settled.

#### **RESOLUTION**

XYZ agreed to pay ABC \$160,000 as a settlement, but not before incurring \$82,000 in defence costs.

## CLAIMS SCENARIOS:

### *Director buys company, then sues it.*

<i>Coverage</i>	<i>Directors and Officers Liability</i>
Claim	Misrepresentation
Insured	XYZ Pty Limited
Company	Privately held
Number of Employees	2
Annual Revenue	\$2.8 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. Jones and ABC were both minority shareholders of XYZ. After the purchase was completed, Jones and ABC brought legal proceedings 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 \$65,000 in defence costs.

## CLAIMS SCENARIOS:

### *Sold to the highest bidder.*

<i>Coverage</i>	<i>Directors and Officers Liability</i>
Claim	Breach of duty of care
Insured	ABC Pty Limited
Company	Privately Held
Number of Employees	100
Annual Revenue	\$15 million

#### **DESCRIPTION OF EVENT**

ABC Pty Limited specialised in liquidating troubled assets, such as computer equipment, inventory, and fixed assets. It sold products to DEF Co. for \$1.6 million. A third company commenced legal proceedings against ABC over the sale of equipment to DEF. The third company alleged that ABC had already accepted its bid to purchase the products for \$1.45 million, which the plaintiff said had a value of \$10 million.

#### **RESOLUTION**

The parties reached a settlement whereby ABC paid \$600,000 to the third company. ABC also paid more than \$100,000 in defence costs.

## CLAIMS SCENARIOS:

### *Sale gone sour.*

Coverage	Directors and Officers Liability
Claim	Negligent misrepresentation
Insured	Doe Pty Limited
Company	Privately held
Number of Employees	18
Annual Revenue	\$2.7 million

#### DESCRIPTION OF EVENT

Doe reached a contractual agreement with ABC Energy to sell Doe. Several months after the agreement was made, ABC Energy accused Doe of manipulating its accounts receivable and accounts payable. ABC Energy commenced legal proceedings against Doe and its board of directors for breach of contract, fraud, and negligent misrepresentation, alleging damages of \$5.5 million. Doe in turn, threatened to countersue, alleging that ABC Energy owed Doe money from earlier dealings with the company.

#### RESOLUTION

The case eventually settled when both parties withdrew their claims and cancelled the sale of the company. Legal fees incurred by Doe totalled \$120,000.



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