



CLAIMS SCENARIOS: *A cashless settlement.*

<i>Coverage</i>	<i>Directors and Officers Liability</i>
Claim	Unfair Competition
Insured	New Co Pty Limited
Company	Privately Held
Number of Employees	22
Annual Revenue	\$650,000

DESCRIPTION OF EVENT

Smith, the former CEO of XYZ Pty Limited, left the company to start up a new software firm, New Co. Soon afterwards, XYZ sued Smith individually as an officer of New Co, alleging that Smith had taken with him a corporate license to market certain software. XYZ's allegations included trademark infringement and unfair competition. In its claim, XYZ demanded \$2million in damages.

RESOLUTION

Smith settled with New Co. for a payment of \$250,000. Additionally, Smith accumulated \$130,000 in legal expenses.

CLAIMS SCENARIOS: *After three years, a law suit.*

<i>Coverage Section</i>	<i>Directors and Officers Liability</i>
Claim	Fraud, breach of fiduciary duty
Insured	New Co Pty Limited
Company	Privately held
Number of employees	100
Annual Revenue	\$16.4million

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 three years later, Doe sued New Co. and its Managing Director, 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 defence, New Co said that there was no wrongdoing and claimed that no loss had been suffered.

RESOLUTION

The parties settled for \$140,000. New Co incurred \$35,000 in legal costs.

CLAIMS SCENARIOS: *Food processor loses fruits of labour.*

<i>Coverage</i>	<i>Directors and Officers Liability</i>
Claim	Breach of disclosure laws
Insured	ABC Company
Company	Privately Held
Number of Employees	110
Annual Revenue	\$4 million

DESCRIPTION OF EVENT

A shareholder of ABC Company, which processed fruit and other produce for local growers and marketed to grocery retailers, commenced legal proceedings against three individual directors, their spouses, and the company's accountants. The shareholder alleged that the defendants made untrue statements in connection with the sale of stock. The shareholder further alleged that improper accounting practices were approved by the defendants, including a misleading valuation circular prepared in connection with the share purchase transaction. The shareholder sought damages in the amount of \$1 million plus interest, costs, and legal fees.

RESOLUTION

The case was settled through mediation, with ABC paying \$725,000.

CLAIMS SCENARIOS: *Not a fair trade.*

Coverage	Directors and Officers Liability
Claim Insured Company	Misappropriation of trade secrets NNN Privately Held
Number of Employees	200
Annual Revenue	\$8.8 million

DESCRIPTION OF EVENT

Jones, who was Managing Director of CCC Co, left the company in 2000 to become Chief Operating Officer of NNN Pty Limited, a competitor. Three months after Jones left, CCC sued NNN's directors and officers for allegedly stealing trade secrets, confidential business information, and employees, thus giving it an unlawful competitive advantage.

RESOLUTION

The parties eventually settled for \$390,000, and NNN agreed to restrictions on hiring CCC's employees. NNN incurred defence expenses of \$90,000.



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