

Directors & Officers Liability Insurance

For Private Companies

Directors, officers, and other members of management teams are increasingly vulnerable to claims for alleged wrongdoing in a wide variety of contexts. The truth is that the decisions made by the boards of privately owned companies are not immune from public scrutiny. Chubb wants to provide the tools you need to help protect the personal assets of your directors and officers.



Why do I need D&O Insurance?	
Misconception	Reality
D&O insurance is unnecessary because business is privately held.	Private companies face virtually the same exposures as public companies but private company policies can insure much more than securities claims.
D&O insurance is unnecessary because business is family-run.	Family claims can actually be more contentious and expensive to defend because of their personal nature.
I have D&O coverage under my package, BOP, or Umbrella policy.	There may be limited coverage on other insurance policies, but a dedicated D&O policy can provide a larger breadth of coverage to meet your company's specific needs.

ForeFront Portfolio 3.0SM

Chubb's ForeFront Portfolio 3.0SM is designed to help small to mid-sized private companies cope with potentially devastating threats. This coverage helps protect against the exposures associated with the management actions and decisions of your company's directors and officers.

Coverage features for ForeFront Portfolio 3.0SM Directors & Officers Liability include, but are not limited to:

- Insurance protection for assets of both the executives and the company itself
- Broad definition of Insured, Claim, and Loss
- No deductible for non-indemnified loss
- Custom coverage options specifically tailored to your business & industry
- Limits available for non-indemnified loss and options for defense costs in addition to the coverage aggregate

Why Chubb?

As the world's largest publicly traded insurance company, Chubb has over 30 years of experience dedicated to underwriting and servicing private company D&O customers. Ranked Most Preferred Insurer for Management Liability Claim Handling in Advisen's 2017 Claims Satisfaction Survey, Chubb provides products and services for businesses of all sizes throughout 54 countries around the world.



Claims Scenarios

Summary	Related Details	Payment
<p>Misrepresentation brought by a customer</p> <p><i>Insured Profile:</i></p> <ul style="list-style-type: none"> • Industry: Equipment Sales • Number of Employees: < 25 • Annual Revenues: < \$5 million 	<p>ABC Co. specialized 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 filed suit 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.</p>	<p>The parties reached a settlement whereby ABC paid \$600,000 to the third company. ABC also paid more than \$320,000 in defense costs.</p>
<p>Unfair Competition brought by a former employer</p> <p><i>Insured Profile:</i></p> <ul style="list-style-type: none"> • Industry: Software Developer • Number of Employees: < 25 • Annual Revenues: < \$5 million 	<p>Smith, the former Chief Operating Officer of XYZ Inc., left the company to start up a new software firm, New Co. Soon afterward, 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 tortious interference, trademark infringement, and unfair competition. In its suit, XYZ demanded \$10 million in damages, as well as punitive damages.</p>	<p>Smith settled with XYZ for a payment of \$100,000. Additionally, Smith accumulated \$245,000 in defense expenses.</p>
<p>Misappropriation of Trade Secrets brought by a competitor</p> <p><i>Insured Profile:</i></p> <ul style="list-style-type: none"> • Industry: Consulting • Number of Employees: < 250 • Annual Revenues: < \$10 million 	<p>Jones, who was president of CCC Co., left the company in 2000 to become Chief Operating Officer of NNN Inc., 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.</p>	<p>The parties eventually settled for \$390,000, and NNN agreed to restrictions on hiring CCC's employees. NNN incurred defense costs of \$150,000.</p>
<p>Misrepresentation brought by an investor</p> <p><i>Insured Profile:</i></p> <ul style="list-style-type: none"> • Industry: Manufacturer • Number of Employees: < 250 • Annual Revenues: < \$50 million 	<p>An officer of XYZ Co. 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.</p>	<p>Following two years of litigation and \$250,000 in defense costs, the parties finally reached a settlement with the plaintiff for \$335,000.</p>
<p>Breach of Duty brought by vendor</p> <p><i>Insured Profile:</i></p> <ul style="list-style-type: none"> • Industry: Wholesaler • Number of Employees: < 250 • Annual Revenues: < \$150 million 	<p>Time pressures in the women's fashion industry contributed to lawsuits filed against directors and officers of ABC Textiles Inc., a wholesale women's clothing firm. ABC, which needed to sell its products quickly, had pressured the freight hauler to release the goods prior to presentation of a bill of lading evidencing payment for the textiles. Having not been paid, the suppliers of the textile products sued the freight hauler, who in turn sued ABC Textiles Inc. The charges included breach of duty of care, conspiracy, fraud, and misrepresentation.</p>	<p>After incurring defense costs of \$813,000, ABC paid a settlement of \$660,000 to the freight hauler.</p>



Visit Us Online

chubb.com/us/managementliability

Chubb. Insured.SM

¹Chubb's Private Company Risk Survey, 2018.

²Total financial loss percent represents those with losses greater than \$0.

This document is necessarily general in content and intended to provide an overview of certain aspects of D&O Liability and has an edition date of Oct. 2018. This document is advisory in nature and is offered as a resource to be used together with your professional insurance advisors in maintaining a loss prevention program. The information provided should not be relied on as legal or insurance advice or a definitive statement of the law in any jurisdiction. For such advice, an applicant, insured, listener or reader should consult their own legal counsel or insurance consultant. No liability is assumed by reason of the information this document contains.

Chubb is the marketing name used to refer to subsidiaries of Chubb Limited providing insurance and related services. For a list of these subsidiaries, please visit www.chubb.com. Insurance is provided by ACE American Insurance Company and its U.S. based Chubb underwriting company affiliates. Surplus lines insurance is sold only through licensed surplus lines producers. Chubb is the world's largest publicly traded property and casualty insurance group. With operations in 54 countries, Chubb provides commercial and personal property and casualty insurance, financial lines, personal accident and supplemental health insurance, reinsurance and life insurance to a diverse group of clients. Chubb Limited, the parent company of Chubb, is listed on the New York Stock Exchange (NYSE: CB) and is a component of the S&P 500 index.