

Hanover Management Liability

Contractors directors and officers claims scenarios

In today's litigious environment, the people entrusted to lead businesses are more susceptible to executive liability lawsuits than ever before. As leaders, directors and officers may be held personally liable for their management decisions, which means their personal assets are exposed to risk with every decision they make. The Hanover's directors and officers liability solution helps protect the personal assets of directors and officers, and the financial well-being of the organization against allegations of misconduct. These scenarios show you how.

Breach of fiduciary duty

Former business partners can be a source of liability in a private company without the stock market to value share prices.

A private company terminated the employment and compensation of its CEO and co-founder. After his termination, the former CEO filed a lawsuit against the company and its directors and officers alleging wrongful termination and a breach of fiduciary duty by failing to either sell the company or buy his shares back at his asking

price—a price that was more than three times higher than the company's estimates.

INSURANCE IN ACTION

The Hanover undertook a vigorous defense of the company and its directors and officers, and the matter went to trial where the company won a defense verdict. Our directors and officers liability solution provided coverage for the defense costs, which were in the low seven figures.



Breach of contract

Business contracts such as distribution agreements are important to a business to incentivize and manage an orderly sale of its products. Unfortunately, this can lead to litigation from other business partners.

A company entered into a territory-based distribution agreement with one of its partners. The company later entered into a second, separate distribution agreement with another business partner. The initial distribution partner filed a lawsuit against the company, claiming the company interfered with its business relationships by entering into the second agreement with another partner in the same territory. The litigation process was lengthy, resulting in significant legal fees.

INSURANCE IN ACTION

The lengthy litigation resulted in The Hanover paying its entire policy limit.

Fraud scheme

While employees are expected to act in the best interest of the company, they sometimes act in their own best interest, which can put the company at risk.

A distributor learned that one of its employees was being investigated for conspiracy and wire fraud. An investigation revealed that the employee and a customer's employee were engaged in a false invoice scheme where payment was received, but no product was shipped. The employee was indicted and the distributor's customer sued the distributor for the fraudulent payments made through the scheme—up to seven figures in size.

INSURANCE IN ACTION

The Hanover defended the distributor's employee through the criminal action. Once the criminal action was completed, we defended the distributor and advocated for early resolution. The Hanover contributed to the mid six-figure settlement, as well as funded the substantial defense expenses.

Disparagement

Companies face litigation risks when internal email communication goes external.

A company terminated a supplier according to cancellation provisions in their contract. Weeks later, an email sent from one of the company's vice presidents disparaging the supplier was accidentally forwarded to a large number of people. The email then surfaced on social media, which the supplier alleged led to the loss of other customers. The supplier sued the vice president for disparagement and interference with its business relationships.

INSURANCE IN ACTION

While personal injury like disparagement is typically covered under a general liability policy, the interference with business relationships resulted in coverage for the defense of the claim under the directors and officers policy. As a result, The Hanover covered all defense costs, including lawyer fees, court fees, investigations and more.

These hypothetical examples are provided for discussion purposes only, although some parts are based on actual claims experiences, names and facts have been changed to protect confidentiality. Insurance policy coverage depends on the facts of each case and the terms, exclusions, and limitations of the policy issued.

Let's start a conversation

Contact your Hanover representative today to ensure the right directors and officers protection is in place.



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