

Hanover Management Liability

Manufacturers 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 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 manufacturer entered into a territory-based distribution agreement with one of its partners. The manufacturer later entered into a second, separate distribution agreement with another business partner. The initial distribution partner filed a lawsuit against the manufacturer, claiming

the manufacturer 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.



Breach of contract as a subcontractor

Manufacturers work closely with a network of other companies. Subcontractors can easily be added into lawsuits in an effort to push the risk down the supply chain.

A component part manufacturing company produced a part of a system that ultimately did not perform as contracted. The purchaser of the system filed a lawsuit against the component part manufacturer and the system manufacturer. The lawsuit against the component part manufacturer claimed that its director of sales played an integral part in marketing the system and participated in a conspiracy to defraud the purchaser. The system manufacturer went out of business with no assets for the purchaser to recover.

INSURANCE IN ACTION

The Hanover defended the component part manufacturer throughout the lawsuit, covering defense costs in the mid six figures, and succeeded in getting the company dismissed from the lawsuit.

False advertising

Manufacturers that engage in unfair business practices such as false advertising can face costly class action lawsuits and Federal Trade Commission enforcement actions.

A manufacturing company was hit with a class action lawsuit that claimed that the size and structure of its product was not as advertised on the packaging and on the company's website. The group also claimed that as a result of the discrepancy, consumers overpaid for the product.

INSURANCE IN ACTION

The Hanover aggressively defended the manufacturing company and the lawsuit was successfully dismissed with prejudice, which ended the case and took away the group's ability to re-plead the lawsuit.

Bankruptcy

Directors and officers face heightened personal legal risks from creditors in the event of a bankruptcy since there are no company assets left to indemnify their personal loss. These risks are usually based on prior representations made to creditors and others.

A manufacturing company saw a significant decline in business after it made a large capital investment and took on a large amount of debt with a business plan that did not deliver as expected. This sent the company into bankruptcy and the company was only able to pay creditors cents on the dollar. The company's creditor sued the company's directors and officers for breach of fiduciary duty, referring to allegedly fraudulent or misleading statements about a new product in its business plan and during board meetings.

INSURANCE IN ACTION

The Hanover defended the manufacturing company's directors and officers throughout litigation. We provided all financial support for the defense expenses since the company had no assets left to defend the directors and officers.

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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