

# Over 25% of Private Companies have experienced a D&O liability lawsuit in the past 5 years.

## Why do Private Companies need Directors & Officers Liability?

- Even if a claim is false or fraudulent, the cost of defending a corporate lawsuit may exceed the net worth of most private companies
- To protect the personal assets of directors, officers, and their spouses
- Corporate indemnification may not be available
- To attract quality Board Members
- In preparation for an IPO or acquisition

Private companies which do not purchase D&O coverage have an average loss of over \$400,000 when they experience a D&O claim.

## Claims Scenarios

The CEO of a small software company left the organization to start his own firm. Soon afterward, he was sued individually as an officer of the new company, alleging that he had taken with him a corporate license to market certain software. Allegations included tortious interference, trademark infringement, and unfair competition. The case was settled for \$100,000 plus an additional \$245,000 in defense expenses.

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A manufacturer received \$500,000 from a private investor after discussing with them the upcoming launch of a new product. A year later, the product failed to enter the marketplace. The investor filed suit against the company seeking over \$10M in compensatory and punitive damages. After 2 years of litigation and \$250,000 in defense costs, the case settled for \$335,000.

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A wholesale clothing firm was under pressure to deliver products to its retail clients. The company instructed their freight hauler to deliver the goods but did not present a bill of lading evidencing payment for the clothes. Having not been paid, the suppliers of the textile products sued the freight hauler, who in turn sued the wholesale firm. The wholesale firm paid the freight hauler \$660,000 after \$813,000 in defense expenses.

## Did you know?

Although the majority of private company D&O claims are brought by employees (48%), other potential claimants include:

- 31% - Shareholders
- 10% - Competitors
- 8% - Customers
- 3% - Other Third Party



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**CONTACT US FOR A QUOTE!**

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