

# Management Liability Claim Scenarios

*Sample claims for privately held companies*

You may think that liability claims only happen to other companies, but think again. Even the best-managed organizations can be exposed to liability lawsuits, and the lawsuits are not limited to publicly traded companies. Privately held companies can be at risk, too.

At The Hartford, we understand the risks you face and offer outstanding management liability products to protect your business – through our Hartford Financial Products department.

Whether it's a job discrimination complaint, a sexual harassment lawsuit, or a suit brought against your directors or officers, The Hartford has you covered.

## Sample Claims

Here are examples of the types of claims that could occur:

### Directors & Officers

- Shareholders allege that the CEO approved loans to himself and other related-party transactions without board authorization.
- A director, who was also a creditor, is sued by other creditors who allege “conflict of interest.”
- Directors are alleged to be liable for “failure to supervise” in connection with a fraudulent employee’s misappropriation of funds.

- A company seeks an outside investor. During that process, the company makes representations about future sales. When the growth level is not achieved after two years, the investor sues, citing misrepresentations on which he made his investment.
- A company decides to open three new locations and take out a new credit line to finance the expansion. Lackluster sales at the new locations and rising interest rates cause the company to close two of its three new locations after only 18 months. The president’s son-in-law, a shareholder who was recently divorced from the president’s daughter, sues the board of directors, citing breach of fiduciary duty.

### Employment Practices

- A group of female employees alleges that management allowed the existence of a hostile work environment for women within a manufacturing plant.
- A recently terminated employee alleges that he was terminated in retaliation for reporting misconduct of senior managers.
- A recently released employee alleges that the CEO wrongfully terminated him due to perceived disloyalty.

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- A current employee alleges sexual harassment by his manager and also alleges that the company is vicariously liable for not exercising reasonable care to prevent the harassment.
- After a downsizing, a group of former employees alleges that the action had a disparate impact on a given class.
- An applicant alleges failure to hire based on disability.

#### **Fiduciary**

- An employee alleges the human resources manager did not properly advise her of the deadline to sign up for employee benefits. She found out she had no health care coverage after a family medical claim was denied.
- A group of employees alleges that it was not given adequate 401(k) options, after the value of the plan decreased more than 25 percent in less than one year.

#### **Crime**

- An office employee and a warehouse employee conspire to ship hundreds of pieces of inventory to fictitious customers over a six-month period. When the office employee goes out on sick leave, his replacement discovers the scheme.
- The owner of a company is robbed while taking the daily receipts to his local bank. Neither the robber nor the money is ever found.

#### **Kidnap, Ransom & Extortion**

- While traveling on business in Europe, an executive disappears after a night out. A ransom demand is received two days later.

#### **For More Information**

Contact your Hartford Financial Products underwriter for information about management liability products from The Hartford. For a complete list of contacts, visit our Web site at [www.hfpinsurance.com](http://www.hfpinsurance.com).

The scenarios summarized above are offered only as examples. Coverage depends on the actual facts of each case and the terms, conditions and exclusions of each individual policy. Please refer to the policy to determine all terms, conditions, exclusions, and limitations of coverage. Coverage is provided by The Hartford companies and may not be available in all states.