

ForeFront Management Liability

Claims Examples

CHUBB®

ForeFront Management Liability Claims Examples



Workplace Health and Safety

Coverage Section

Directors and Officers Liability

Insured

Engineering firm

Business size

Over \$5 million in annual revenue

Two months after maintenance was performed on a piece of machinery, it collapsed killing a worker and injuring two other people. A subsequent investigation determined that bolts on the machinery replaced by the Insured were faulty. The bolts were sourced through the German manufacturer of the machinery.

The Insured was brought into the claim despite performing the maintenance work according to their policies and procedures.

After 7 years in court, the prosecution dropped all criminal charges against the Insured with no adverse findings. The Insured incurred over \$800,000 in defence costs which were covered under Chubb's Directors and Officers Liability coverage section.

Payroll fraud

Coverage Section

Crime

Insured

Leisure industry

Business size

Over \$5 million in annual revenue

The Insured hired a part time accounts officer but within 12 months the employee was terminated due to unsatisfactory work.

Three months later employees of the Insured reported that their superannuation had not been paid. The finance manager discovered 271 suspicious transactions to one bank account.

During a forensic accounting investigation, it was found that the bank account belonged to the former accounts officer and a total of 740 payments had been made totalling \$819,000.

To make the payments, the accounts officer circumvented dual sign off controls by gaining an additional security token for the Insured's internet banking portal.

Total loss to the insured was over \$800,000 which was covered under the Crime section in Chubb's Management Liability policy.

Vendor impersonation

Coverage Section

Crime

Insured

Professional services

Business size

Over \$5 million in annual revenue

An Insured received an email request from a vendor asking them to update their bank account details. This was actioned by the Insured's Accounts departments and payments were made to the new bank account.

It was later discovered that the email was sent by a fraudulent party. It had been doctored to resemble the vendor's email address and included earlier correspondence between both parties.

The loss investigation discovered that the fraudster had also hacked into the Insured's IT systems and altered email rules to conceal the fraud.

The total loss was over \$90,000. This included investigation costs to identify potential privacy breaches after their IT system had been compromised.

All loss was covered by Chubb's Social Engineering Fraud Insuring Clause in the Crime Coverage section.

General employee protection

Coverage Section

Employment Practices Liability

Insured

Real Estate Agent

Business size

Over 30 employees

A claimant alleged that the Insured took adverse action against her rights to lodge a Workers Compensation claim and to be absent from work under the Workers Compensation Act. The claimant's employment was terminated due to misappropriation and misuse of confidential company information. At the time of the misappropriation, the claimant was absent from work on Workers Compensation.

The claimant also made allegations of bullying and inappropriate contact against the CEO, threatening to contact media outlets if her demands were not met.

After mediation, the matter was settled with the claimant for \$75,000.

Under Chubb's Employment Practices Liability coverage, the final settlement amount was covered along with defence costs. The total loss was \$130,000.

Insolvent trading

Coverage Section

Directors and Officers Liability

Insured

Home solar installation

Business size

Under \$10 million in annual revenue

The Insured experienced financial difficulties because many customer invoices went unpaid or only partially paid. Due to this financial stress creditors voted to put the company into liquidation.

Once administrators had been appointed they brought an action against directors of the company seeking repayment of loss under Section 588M(2) of the Corporations Act 2001.

At the end of a litigation period of three years the charges against the directors were ultimately dropped with no adverse findings. The total defence costs incurred were \$590,000 under the Directors and Officers Liability coverage section.

Breach of shareholder agreement

Coverage Section

Directors and Officers Liability

Insured

Health product retailer and distributor

Business size

Under \$5 million in annual revenue

A claim was brought against two of the insured's directors (50% shareholders) alleging they had refused to reappoint a representative of the claimant to the Board. The claimant also alleged various other breaches of the shareholders agreement, including minimum number of directors, not acting in the interest of the company and acting in a manner oppressive to other shareholders.

The Insured's directors denied any wrongdoing and spent two years defending the claim in court. The claim eventually settled for \$200,000 with an additional \$300,000 in legal defence costs.

All defence costs were covered under Chubb's Directors and Officers Liability coverage section and Organisation Liability insuring clause.

Breach of director's duties

Coverage Section

Directors and Officers Liability

Insured

Medical practice

Business size

Under \$10 million in annual revenue

A director and current shareholder of the Insured brought a claim seeking damages against the Insured. They ordered the Insured to buy back \$2 million worth of the claimant's shares or alternatively wind up the company.

The claim was brought due to an alleged breach of a shareholder agreement by the Insured and its board of directors. There were also allegations against a director for receiving unauthorised salary and breach of duty (conflict of interest) when her own business was to be acquired by the Insured.

The case was successfully defended in favour of the Insured but not before they incurred \$460,000 in defence costs which were covered under Chubb's Directors and Officers Liability coverage section.



About Chubb in Australia

Chubb is the world's largest publicly traded property and casualty insurer. Chubb, via acquisitions by its predecessor companies, has been present in Australia for 100 years. Its operation in Australia (Chubb Insurance Australia Limited) provides specialised and customised coverages including Business Package, Marine, Property, Liability, Energy, Professional Indemnity, Directors & Officers, Financial Lines, Utilities as well as Accident & Health, to a broad client base, including many of the country's largest companies. Chubb also serves successful individuals with substantial assets to protect and individuals purchasing travel and personal accident insurance.

More information can be found at www.chubb.com/au.

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