



Directors & Officers Liability

Claims from Shareholders

The insured company was a small/medium sized manufacturer. The company sold a significant portion of its product to a single customer who failed to pay for the goods supplied over a period of five months.

The insured's finance director committed the company to substantial legal fees in a debt recovery vendetta against the debtor. He should have known the fees were beyond the company's resources and ability to pay, particularly in view of the unpaid debt.

The bills from the lawyers who were engaged to pursue the debts went unpaid and they sued for their fees. As a result the company went into liquidation. A successful claim was made by shareholders against the director concerned.

The claim was indemnified under the D&O policy because it was established that there was no dishonesty involved.