

# Management and Professional Liability

## Directors & Officers Liability

Commercial  
Crime Coverage

**Directors &  
Officers Liability**

Employment  
Practices Liability

ERISA Bonds

Fiduciary Liability

Miscellaneous  
Professional  
Liability

**CNA**

Management and  
Professional Liability

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### Leadership starts at the top. So does risk.

- Directors and officers can become targets for legal action due to any number of decisions they typically make.
- Suits can come from a number of sources: employees, investors, customers and even competitors.
- Size doesn't matter. Suits have been successfully pursued against companies with less than 50 employees.
- Regardless of winning a case, defense costs can be significant, ranging from \$100K to nearly \$2M (as reported by Tillinghast-Towers Perrin).<sup>1</sup>

Basic EPL coverage is simply not enough.

- Employment practices liability and related claims account for only about 28% of all those claims brought against directors and officers.<sup>2</sup>
- This means a basic EPL policy can leave more than 70% of your areas of exposure with no protection. You need specialized protection.

### Directors and officers of any private or public company need CNA's D&O coverage.

- CNA's D&O coverage is designed to protect a company and one of its most important assets: the leaders.
- Your agent or broker can assist in determining appropriate coverages and limits.

CNA provides coverage for a wide range of potential exposures.

- Breach of duty
- Neglect
- Defamation
- Trademark, copyright or patent infringement
- Misstatements
- Errors and Omissions
- Misrepresentations
- Harassment
- Discrimination
- Security law violations
- Wrongful termination
- Antitrust violations

CNA offers expert claims service:

- CNA claims specialists and underwriters work hand in hand to manage loss and improve the potential for recovery.
- CNA attorneys are dedicated and knowledgeable in their specialized fields.

### Who files D&O lawsuits?

- Employees
- Shareholders and Investors
- Competitors
- Third Parties

# Management and Professional Liability Directors & Officers Liability

- Commercial Crime Coverage
- **Directors & Officers Liability**
- Employment Practices Liability
- ERISA Bonds
- Fiduciary Liability
- Miscellaneous Professional Liability

## D&O Claims Scenarios<sup>3</sup>

### Breach of Fiduciary Duty

A minority shareholder in a family-owned electrical contracting business sues the two major shareholders on behalf of the company, claiming they breached their fiduciary duties. The minority shareholder claims that the majority shareholders, by drawing excessively large salaries and bonuses, caused the company to lose money. The court rules in favor of the majority shareholders, but the defense costs amount to \$150,000.

### Defamation and Interference with Prospective Business Advantage

A small trucking company hires a contractor to pave its parking lot. The contractor then hires subcontractors to assist in necessary earth moving, but fails to pay them. They in turn seek payment from the trucking company. The president of the trucking company sends letters to the subcontractors suggesting they seek payment from the contractor. The contractor sues the trucking president, alleging defamation and interference with prospective business advantage, since they suggested that the contractor was financially unstable. The trucking company and its president eventually pay \$90,000 to settle the case, on top of the defense costs of \$40,000.

### Wrongful Termination

An employee decides to take an "early retirement" package primarily because management discussions had outlined that a downsizing would likely occur within the following 12 months. The employee's decision was based upon the understanding that voluntarily leaving the company was more lucrative than being terminated. A year after the employee left the company, the reductions in staff had not occurred, and the individual's position had been posted and filled. The ex-employee filed a suit, claiming management had misled him by providing incorrect projections that resulted in a career decision with significant economic loss. While the employee eventually was rehired, legal fees amounted to \$35,000.

**To learn more about CNA's Management and Professional Liability offerings, contact your agent or broker.**

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