

Crime/Fidelity

Employee Theft

An employee of a small private firm embezzles \$250,000 from her employer over a four-year period. The employee obtained the necessary signatures on the checks either by altering the payee upon being signed by an authorized individual or by using a facsimile signature stamp. She then issued checks in her name and purchased items for her personal use. The firm was reimbursed for their loss.

Employee Theft of Client Property While on Client Premises (Client Loss)

An accounting firm places several of their employees with one of their clients to help complete their monthly payroll. As a part of the accounting firm's placement contract with the client, they are required to provide protection against theft by their employees. One of the accounting firms' employees steals several of the client's laptops. The accounting firm reimburses its client, and is paid for their loss.

Computer and Funds Transfer Fraud

A bank receives a telephone call from a woman posing as an employee of their client, a small Not-for-Profit scholarship fund. It is the employee's job to request funds transfers. She instructs the bank to wire \$75,000 into the account of a reception hall so they can reserve it for their annual fundraiser. Since the caller has made numerous similar funds transfer requests in the past, the bank wires the funds. The imposter withdraws the funds from the bank account she set up for the nonexistent reception hall. The scholarship fund was reimbursed for their loss.

Employment Practices Liability

Sexual Harassment

A food service employee complains to management that co-employees are making sexually suggestive statements to her. She is terminated because the company feels she is not qualified for the job. The employee sues the company and the officer who requested her dismissal, alleging sexual harassment, discrimination and retaliation.

Employee Misrepresentation

A company president promises an employee a promotion to vice president. The employee is encouraged to prepare plans for expansion and turns down an opportunity to work elsewhere, based on the president's promises. The employee is later terminated in a company restructuring. The employee sues the company and its president for fraud and misrepresentation.

Discrimination

A wheelchair-bound employee of a supermarket is dismissed in a reduction in force. She sues her employer, alleging that the supermarket discriminated against her on the basis of her disability in violation of the Americans with Disabilities Act.

Directors & Officers Liability

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.

ERISA Bonds

Breach of Fiduciary Duty

A Plan Administrator of an insured 401K Profit Sharing Plan embezzled \$26,000 from the Plan's account by transferring funds into a general operating account for which she had check writing authority. The Plan Administrator issued checks from the operating account to pay her personal expenses. Two trustees of an insured 401K plan misappropriated \$475,000 of participant contributions and loan repayments which were withheld from the participants' wages but never deposited into the plan's accounts.

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Miscellaneous Professional Liability / E&O

Software Developers

A computer software development company was retained by the claimant, an international utility supplier, to replace its billing system. The claimant alleged that the system the defendant produced contained material defects and did not conform to the claimant's needs. In addition, the operational specifications detailed in the insured's engagement agreement and promotional literature had not been delivered. The claimant sued, seeking damages incurred in connection with the failed implementation of the new software.

Website Designers

Claimant brought suit against the designer for damages as a result of a suit brought against the claimant by a third party for intellectual property rights infringement. The designer had created a web site for the claimant and erroneously included a slogan used by another company.

Business Consultants

A foreign company retained a consulting firm to provide recommendations on establishing a manufacturing facility in the U.S. The firm provided, and the company followed, recommendations on locations, suppliers and employees. The facility was opened and quickly experienced problems. The area lacked skilled workers, costs exceeded the consultants' projections and many suppliers recommended by the consultant could not fulfill the company's needs. The company demanded compensation for alleged inaccurate advice.

Publishers

The publisher of a local newspaper wanted to profile a newly arrived celebrity. While known for professed "family values," the celebrity had been accused of a hedonistic lifestyle. The newspaper sent a team of reporters and photographers who camped outside the celebrity's home. One photographer, disguised as a repairman, entered the celebrity's home and took photos. The team shadowed the celebrity and took photos at several events, some with a telescopic lens. The newspaper printed a lengthy story about the celebrity's private life and heralded it with radio and TV ads claiming a stunning exposé. The celebrity sued, alleging invasion of privacy, trespass and unauthorized use of his name and likeness for commercial purposes.

Fiduciary

ERISA Violations

A shoe factory employee files suit against a pension plan and its trustees alleging violation of ERISA guidelines in conjunction with the adoption of plan amendments. The employee sought benefits due and reimbursement for defense fees. The courts found in favor of the employee on all counts.

Breach of Duty

Beneficiaries of a corporate pension plan brought suit against the plan trustees alleging breach of duty. The beneficiaries alleged that the plan trustees paid a disproportionate amount of money for their liability insurance and were seeking reimbursement to the pension fund in an amount of \$90,000. After year-long court proceedings, the case was settled in favor of the beneficiaries.

Benefits Error

A class action suit is filed by all the past and present employees of a large manufacturing firm. The suit alleges that the plan administrator and the sponsoring organization calculated the pension benefits of the plan in error. When accounting procedures were examined, it was discovered that the sponsor organization had used social security estimates to generate their figures. These estimates turned out to be wrong and so all the pension benefits assigned to all employees were called into question. The full investigation and court case dragged on for almost 2 years.

