

## EMPLOYED LAWYERS CLAIMS EXAMPLES



### Lawyers sued over advice to board

Coverage	Employed Lawyers Professional Liability Insurance
Cause of action	Misrepresentation, negligence
Organization	Publicly held company
Number of employees	Over 1,000
Annual revenue	Approximately \$2 billion

#### Description of Event

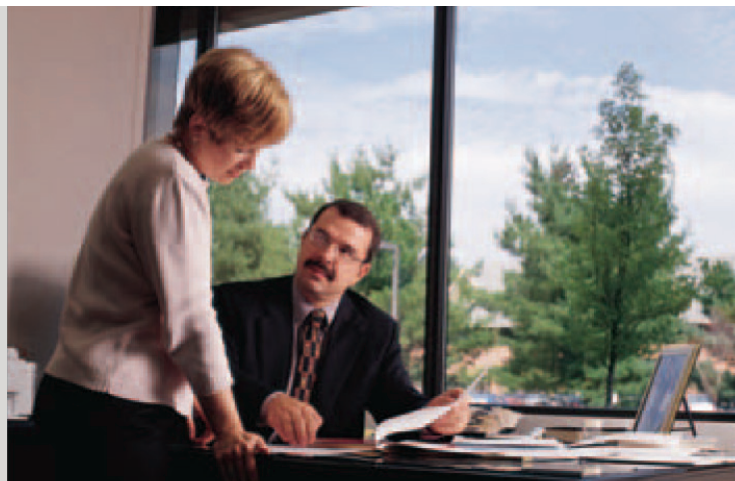
A large public company misstated its revenue during three quarters of the year, triggering multiple securities class action and derivative suits alleging, among other things, violations of the Securities Exchange Act of 1934. Claims were brought under the company's directors and officers liability insurance policy. Acting independently, shareholders also brought claims against the company's general counsel and two associate counsel in their capacity as attorneys for the company, alleging that they gave opinions to the board that certain contracts at the heart of the litigation were complete, in force, and binding, causing the company to recognize certain income. In addition, the lawyers allegedly gave opinions regarding disclosing (or not disclosing) certain issues surrounding the company's inventory.

#### Resolution

More than \$2 million was paid to settle the matter against the employed lawyers, as well as nearly \$250,000 in defense expenses.

Loss scenarios are hypothetical in nature and for illustrative purposes only. Whether or not or to what extent a particular loss is covered depends on the facts and circumstances of the loss and the terms, conditions, and endorsements of the policy as issued. It is impossible to state in the abstract whether the policy would necessarily provide coverage in any given situation. Consult your agent, broker, or other expert.

## EMPLOYED LAWYERS CLAIMS EXAMPLES



### GC allegedly provides incorrect advice to Human Resources

Coverage	Employed Lawyers Professional Liability Insurance
Cause of action	Negligence, misrepresentation
Organization	Not-for-profit organization
Number of employees	Under 50
Annual revenue	Approximately \$5 million

#### Description of Event

The general counsel for a not-for-profit organization provided advice to the human resources manager regarding the investigation and handling of a sexual harassment situation. The general counsel interviewed the supervisor who was accused of harassment. The supervisor was terminated after the completion of the investigation and in accordance with the general counsel's legal advice. The supervisor brought suit against the company and the human resources manager for wrongful termination and against the general counsel for negligence and misrepresentation.

#### Resolution

The jury found in favor of the general counsel and the company, which incurred more than \$150,000 in defense costs.

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## EMPLOYED LAWYERS CLAIMS EXAMPLES



### CFO receives incorrect legal advice from the GC

Coverage	Employed Lawyers Professional Liability Insurance
Cause of action	Negligence, conflict of interest, breach of fiduciary duty
Organization	Publicly held service company
Number of employees	Over 1,000
Annual revenue	Approximately \$750 million

#### Description of Event

The CFO of a large publicly held service company sought the advice of the company's general counsel regarding compliance with certain disclosure requirements of the Sarbanes-Oxley Act of 2002. The advice was incorrect and as a result the CFO was terminated and found personally liable under the provisions of the Act. The CFO then brought suit against the GC, alleging negligence, conflict of interest, and breach of fiduciary duty.

#### Resolution

The jury found in favor of the general counsel and the company, which incurred more than \$150,000 in defense costs.

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## EMPLOYED LAWYERS CLAIMS EXAMPLES



### Franchisee relies on incorrect legal opinion

Coverage	Employed Lawyers Professional Liability Insurance
Cause of action	Negligence, conflict of interest, breach of fiduciary duty
Organization	Restaurant chain
Number of employees	Over 500
Annual revenue	Approximately \$75 million

#### Description of Event

A restaurant chain sold franchises to independent franchisees, and in-house counsel was involved in the negotiation of franchise sales. In one instance, in-house counsel rendered an opinion to the restaurant chain's management that a restaurant could be built on land selected by the franchisee. Relying on this opinion, the franchisee purchased the property and began construction. The opinion rendered by in-house counsel was incorrect and cost the franchisee an additional \$310,000. A suit was filed against the attorney and his employer. Allegations against in-house counsel included breach of fiduciary duty, conflict of interest, and negligence in rendering the opinion.

#### Resolution

The case settled for more than \$250,000 and defense expenses were approximately \$75,000.

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## EMPLOYED LAWYERS CLAIMS EXAMPLES



### Conflict of interest alleged in stockbroker's suit

Coverage	Employed Lawyers Professional Liability Insurance
Cause of action	Negligence, conflict of interest
Organization	Financial services company
Number of employees	Over 800
Annual revenue	Approximately \$300 million

#### Description of Event

A stockbroker and her employer were accused of churning an account (buying and selling a client's stocks too frequently in order to generate more commission, rather than reasonably buying and selling in the best interest of the client). This resulted in a loss to the client's portfolio of \$375,000. In-house counsel represented both the individual broker and her employer in the ensuing arbitration proceeding. The arbitration panel ruled against the stockbroker but not the employer, and the stockbroker was subsequently fired. The stockbroker then brought suit against staff counsel who had been assigned to represent her, alleging conflict of interest and negligence.

#### Resolution

The broker was awarded more than \$425,000.

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## EMPLOYED LAWYERS CLAIMS EXAMPLES



### Lawyer's article attracts defamation suit

Coverage	Employed Lawyers Professional Liability Insurance
Cause of action	Defamation
Organization	Not-for-profit health care organization
Number of employees	Over 150
Annual revenue	Approximately \$15 million

#### Description of Event

An on-staff lawyer for a not-for-profit health care organization wrote an article discussing recent case law for an industry-sponsored publication for his company. In the course of his article, he mentioned a competitor in an uncomplimentary way. The publication was distributed internationally and the competitor brought suit in France, alleging defamation.

#### Resolution

Settlement value could exceed \$150,000 and defense expenses could easily exceed \$50,000.

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## EMPLOYED LAWYERS CLAIMS EXAMPLES



### GC sued for contributory trademark infringement

Coverage	Employed Lawyers Professional Liability Insurance
Cause of action	Contributory trademark infringement
Organization	Retail company
Number of employees	Over 500
Annual revenue	Approximately \$85 million

#### Description of Event

A general counsel for a privately owned company participated in the decision to authorize the use of a trademark in certain marketing materials for the company. The alleged owners of the trademark then brought suit against the privately owned company for trademark infringement and sued the general counsel for contributory trademark infringement.

#### Resolution

Even if successfully defended, defense expenses could exceed \$50,000.

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