



## Directors and Officers Liability For Private Companies For PortfolioSelect<sup>SM</sup>

The current litigation climate for private companies continues to be challenging. Boards of Directors face tremendous media scrutiny after the financial crisis and the plaintiffs' bar, regulators, and bankruptcy trustees are finding new and creative ways of bringing management liability claims. Many private company board members believe that increasing management liability exposure is only a concern for public companies, a misconception that can prove financially devastating for private companies in the event they become subject to legal action.

Directors and Officers Liability for Private Companies (D&O) provides protection to private companies and their directors, officers, and employees against a wide array of claims brought by their competitors, customers, business partners, and regulators. Recent enhancements respond to the changing legal environment and provide essential protection for companies and their leadership.

### Key Coverage Advantages

- Broad entity coverage
- Provides coverage for investigative costs arising out of a shareholder derivative demand<sup>1</sup>
- Applies coverage for wrongful acts anywhere in the world
- Separate and shared limits flexibility
- Automatically covers acquired subsidiaries
- Allows claims to be reported up to 90 days post policy expiration
- Ensures the most favorable terms and conditions from local AIG policies are applied to claims in foreign jurisdictions
- Offers additional limits for individuals when costs of a claim cannot be indemnified by the company

<sup>1</sup>Subject to sublimits



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### PortfolioSelect<sup>SM</sup>

PortfolioSelect is a modular policy form that delivers a flexible and efficient insurance solution. Clients can now combine Management Liability, Cyber Liability, and specific Professional Liability coverages to fit their individual needs, conveniently delivered in one policy including:

- Public Company D&O Liability
- Private Company D&O Liability
- Non-Profit D&O Liability
- CyberEdge<sup>®</sup>
- CrimeGuard Choice<sup>®</sup>
- Employment Edge<sup>®</sup>
- Fiduciary Liability Insurance Edge<sup>®</sup>
- Kidnap and Ransom Liability
- Corporate Counsel Premier<sup>®</sup>
- Bankers Professional Edge<sup>SM</sup>
- Insurance Company Professional Edge<sup>SM</sup>

### Claims Scenarios\*

- A bankruptcy trustee alleged that directors and officers of a pharmaceutical company owed duties to its creditors because the company, which was created through a leveraged buy out, was too thinly capitalized and was in a "zone of insolvency" from the time of its inception. The directors and officers were alleged to have breached their obligations to creditors and to have contributed to the company's insolvency. The case was dismissed on summary judgment and \$5 million in defense costs was incurred.
- A general partner in an apartment complex claimed that the other general partners reduced its partnership interest from 50% to 25% by changing the partnership agreement and other unauthorized transactions. Allegations against the other general partners included, inter alia, that they "looted" the partnership through agreements and transactions with affiliated companies, misrepresented financials, and ultimately squeezed the partner out of any profit from the sale of the real estate held by the partnership. The case settled for \$1.1 million inclusive of a \$600,000 settlement and \$500,000 in defense costs.

*\*The scenarios summarized above are offered only as examples and are not intended to represent an actual claim or insured. Coverage depends on the actual facts of each case and the terms, conditions and exclusions of each individual policy.*

To learn more about D&O For Private Companies For PortfolioSelect:

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[FinancialLines@aig.com](mailto:FinancialLines@aig.com)

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