

CLAIMS FIRST

Confidence through partnership

“The environments these clients are operating in are riskier, the likelihood of having a claim is higher and the likelihood of that claim costing more is greater”

Stephanie Manson
Head of Commercial Institutions, UK

PrivateEdge Claims


UK small and mid-sized companies



Being subject to a claim can be a challenging and disruptive experience. However big or small, our priority is to resolve your claim as quickly as possible, whilst providing you with the personal and proactive support you need to get you or your business back on your feet.


These adapted scenarios are based on actual PrivateEdge claims to illustrate the potential scope within the Financial Lines sector.

I.T Consultants

 TYPE OF CLAIM: **D&O**
AMOUNT PAID: **Over £600,000**

Our insured had a claim brought against them for alleged trademark and intellectual property infringements. Whilst the claim against the company would not be covered, it was suggested that two of the company's directors were personally liable in this matter. Sadly the insured has now gone into administration which has led to the claimant now focusing firmly on the directors.

Consumer goods manufacturer

 TYPE OF CLAIM: **Commercial D&O**
AMOUNT PAID: **Over £500,000 to date in legal costs**

A non-executive director for a family run business in which they are shareholders of 50% of its capital value have bought a claim where they've alleged a diversion of business opportunities and excessive remuneration of board members has affected the profitability of the business. The Claimant alleged that because of the insureds' actions the policyholder affairs have been conducted in a manner that was unfairly prejudicial to their interests.

Under the PrivateEdge policy the unfair prejudice claims constitutes a covered claim and the policy will cover the defence costs of the insureds along with cover for the claimants' costs in respect of any settlement or award. In these instances it's common that the outcome of proceedings will be for the claimant to seek that their shares be bought by the insured at a demonstrable fair value. However, the policy does not cover the insured for the purchase of the claimants' shares.


The levels of costs for proceedings like this are very expensive and time consuming. With legal costs to date being over £500,000 it is estimated the final cost of this claims could be in the region of £2,500,000.

Medical manufacturing

 TYPE OF CLAIM: **Employment Practice Liability**
AMOUNT PAID: **Over £350,000 including defense costs**

Our insured dismissed an employee following a disciplinary process. The employee challenged the dismissal and brought a claim for unfair dismissal in the Employment Tribunal. It is alleged that he was subjected to workplace bullying following protected disclosures that he made regarding the directors.

Technology manufacturer

 TYPE OF CLAIM: **D&O**
AMOUNT PAID: **Over £3,000,000**

Our Insured became aware of an improper relationship between a former consultant employed by the Insured and a client. The Serious Fraud Office began an investigation in to the insured and its potential breach of the Bribery Act 2010 because the SFO had been advised that the consultant, while holding the consultancy had also been a senior foreign Government employee. The insured benefited from several contracts from the same Government whilst the consultant was an employee.

The board have brought a claim against a director alleging Negligence and Breach of Fiduciary Duty arising from his decision to retain the consultant, and therefore potentially breach the Bribery Act. As a consequence, the director has brought part 20 proceedings against three former directors alleging that in the event that any breach is found on his part, they should contribute or indemnify him as they should have also been aware of the implications of hiring the consultant. The director has also brought proceedings in fraud and deceit against one of the board members alleging he deliberately misled him.

Technology vendor

TYPE OF CLAIM: **Employment Practice Liability**
AMOUNT PAID: **Over \$300,000**

The Claimant was a former senior executive in the talent acquisition department at the Insured. He alleged that the Insured violated the California Fair Employment and Housing Act by failing to prevent age discrimination and wrongful termination of his employment with the Insured. In particular, he alleged that he joined the Insured in February 2014 and was well respected by his supervisors and peers but when he turned 50 his employment was terminated and this seemed to follow the pattern adopted with previous employees who were of that age bracket. He further alleged that the Insured's cost cutting measure was actually an attempt to terminate his employment and instead recruit a much younger and highly inexperienced employee. He sought damages for lost earnings, emotional distress, reputational damage and any ramifications associated with the abrupt loss of his health Insurance.

Business support services provider

TYPE OF CLAIM: **Employment Practice Liability**
AMOUNT PAID: **Over \$500,000**
(including defence costs)

The Plaintiff worked for the Insured on a contract basis, performing a number of work orders. The Insured offered him a full time role. The Plaintiff failed to sign the contract and after the work orders were complete the Insured terminated their agreement with the Plaintiff. The Plaintiff alleges: 1) Fraud; 2) Negligent Misrepresentation; 3) Breach of Contract; 4) Promissory Estoppel; 5) Breach of Implied Contract; and 6) Breach of Covenant of good faith and fair dealing. All claims focus on one point, that being the Plaintiff alleges that the Insured made misrepresentations to him regarding his employment status and compensation.

Energy provider

TYPE OF CLAIM: **Employee crime**
AMOUNT PAID: **\$3,000,000 for Loss of Income and over \$80,000 in expert fees**

The insured discovered that their financial controller had been paying unauthorised funds to his personal bank accounts. The controller confessed to these actions and his access to the accounts was immediately stopped. The Insured appointed a fraud investigator and their investigation report confirmed that the controller had been making wire transfers to himself using someone else's login credentials without authorisation. He was also able to obtain other payments by virtue of his role, which permitted certain payments to be made pursuant to his authorisation alone. The controller had been stealing the monies from eight different subsidiaries of the Insured. The investigation revealed that USD 2,780,996 was stolen by the controller.



Food packaging manufacturer

TYPE OF CLAIM: Employee crime
AMOUNT PAID: £500,000 for Loss of Income and over £15,000 in expert fees

The insured manufactured plastic food trays which were used by food companies for packing goods for sale in shops and supermarkets. The matter relates to a fraud perpetrated by the manufacturing director of the insured, in collusion with a recycling merchant. Together they stole and sold rework (a product of the manufacturing process). Rework is pressed polymer which is unused/wasted as part of the manufacturing process and then granulated. Rework is a valuable commodity and is used as raw material by the insured to manufacture more plastic sheet, both in its flake form and as pellets. The insured cannot make the rework into pellets themselves and instead pay a recycling company to do this.

The crime went on for over two and a half years with one or two trailers a month stolen and then sold for approximately £500 per tonne on the open market. The dishonest employee also destroyed all of the paperwork to cover their trail.

Hotel

TYPE OF CLAIM: Employee theft
AMOUNT PAID: Over £340,000 and more than £10,000 in expert fees

This claim is regarding an employee dishonesty matter with the employee in question being the manager of a hotel. He stole from the daily takings and concealed the thefts by recording the amounts involved as fictitious debtors. He also stole deposits for weddings and other functions and concealed those thefts by using deposits from more recent events and then did the same for those deposits, at a later date. He stole from the insured for a number of years and when the crime was discovered the employee admitted to the thefts. AIG forensic experts verified the amount stolen over the period was more than £300,000.



Software and document management consultancy

TYPE OF CLAIM: Identity fraud
AMOUNT PAID: Over £350,000 with more than £10,000 in expert fees

Our insured banks with a well-known household name and uses their corporate online banking facility. Four of their senior employees are designated administrators with varying limits of authorisation.

The insured's accounts team received a telephone call from an individual claiming to be from their bank's internet banking facility. He asserted that a problem with processing payments had generated a security alert. He turned out to be a fraudster who then made a series of illegitimate payments from the insured's bank account.

The fraudster asked the finance manager to log in and directed the finance manager to the home page and contended that the system was still being hacked. Supposedly to resolve the issue, the fraudster requested that the finance manager change their memorable information. The fraudster managed to process a series of five payments totalling almost £500,000 which were approved.



For more information regarding these claims scenarios please contact your local AIG representative.

American International Group, Inc. (AIG) is a leading global insurance organisation. Founded in 1919, today AIG member companies provide a wide range of property casualty insurance, life insurance, retirement products, and other financial services to customers in more than 80 countries and jurisdictions. These diverse offerings include products and services that help businesses and individuals protect their assets, manage risks and provide for retirement security. AIG common stock is listed on the New York Stock Exchange and the Tokyo Stock Exchange. Additional information about AIG can be found at www.aig.com and www.aig.com/strategyupdate | YouTube: www.youtube.com/aig | Twitter: @AIGemea | LinkedIn: www.linkedin.com/company/aig. AIG is the marketing name for the worldwide property-casualty, life and retirement, and general insurance operations of American International Group, Inc. For additional information, please visit our website at www.aig.com. All products and services are written or provided by subsidiaries or affiliates of American International Group, Inc. Products or services may not be available in all countries, and coverage is subject to actual policy language. Non-insurance products and services may be provided by independent third parties. AIG Europe Limited is registered in England: company number 1486260. Registered address: The AIG Building, 58 Fenchurch Street, London EC3M 4AB. AIG Europe Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority (FRN number 202628). This information can be checked by visiting the FS Register (www.fca.org.uk/register).