



Directors & Officers Liability Insurance

CLAIM EXAMPLES

Selling Of A Subsidiary

The buyer of the concerned subsidiary accused a medical device company of misrepresentation of financial information. The buyer had accused such misrepresentation had led to financial loss.

The verdict was in favor of the buyer and the medical device company had to pay defense cost in excess of Rs 25 million and damages worth Rs 22 million.

Dismissing of Senior Employees

A MNC company had hired two senior bankers and they were made to understand that they were to head the new subsidiary.

The setting up of the subsidiary kept getting delayed which soured relationships between the employees and employers. After two years, the company dismissed both of them citing incompetence and absenteeism as the reason.

Both the dismissed employees filed criminal cases for damages of Rs 80 crores against all the directors of the company alleging cheating, fraudulent misrepresentations about the job profile, remuneration, failing to fulfill terms of employment contract and defamation by press release.

A prolonged legal battle followed and the defense cost incurred by the directors was advanced to them.

Bank Loan Default by a Company

A bank had filed a criminal case against company and managing director of the company for default on loan account.

A prolonged legal battle followed the case. The case was dismissed by the lower court and has been appealed in a higher court.

The insurer advanced the defense cost incurred by the director.

Subsidiary v/s Promoter Company

A subsidiary company of the promoter group was engaged in niche area of software. The promoter company along with fund managers entered into a subscription cum shareholders agreement with the subsidiary company stipulating that any opportunity offered to them in the area of specialization of the subsidiary company shall only be pursued by the subsidiary or its wholly owned subsidiary.

In due course of time the promoter company entered into various ventures, which encroached upon the specialization of the subsidiary.

The shareholders of the subsidiary sued the promoter company for violation of the agreement and sought damages worth Rs3000 crore.

Former M.D. Faces Prosecution over Security

The former managing director of an MNCs subsidiary in India is being prosecuted by the state government for not providing adequate security to an employee who was raped and murdered when traveling to work for the night shift on company-provided transport.

The prosecution of Director could have far-reaching consequences for employee security in the Indian call-center and BPO (business process outsourcing) industry. The female employee of the XXX BPO center was raped and murdered, allegedly by a taxi driver. The subsidiary, XXX and Director are liable because proper security measures were not taken to prevent the crime, the local state government alleged in its case before the court.

The legal expenses will be covered by the policy.

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