

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.

I.T Consultants

TYPE OF CLAIM: **Directors & Officers**
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 went into administration which led to the claimant focusing firmly on the directors.

Technology manufacturer

TYPE OF CLAIM: **Directors & Officers**
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 into 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.

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.

The board 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 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 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 alleged 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.

Hospitality



TYPE OF CLAIM: **Employee Crime**

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.



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.



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

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