

Claim Scenarios

- **Advertising Agency**
An Advertising Agency develops a video to be presented at its client's annual shareholder meeting. The video is also to be distributed to the client's customers. The video has technical difficulties, and negatively affects the shareholder presentation. The client brings suit against the advertising agency alleging that the poor showing of the video resulted in damage to its reputation and a consequential loss in sales.
- **Business Broker**
A Business Broker is retained to value a company and assist in selling the company. The Business Broker does not understand the industry in which the firm operates and as a result undervalues the firm. The firm is then sold at the lower valuation. After the sale, information comes to light that the business was undervalued. The sellers sue the Business Broker for not maximizing the value of the firm.
- **Consultants**
An auto parts distributor ("the client") hired a management consultant to evaluate and make recommendations to improve staffing, budgeting and executive decision-making. The consultant subsequently implemented a reorganization strategy. The strategy redefined management's roles, implemented spending controls and introduced a new staffing model. Eighteen months after the reorganization, the client alleged that the new strategy ultimately resulted in a negative impact on profitability. The client sued the management consultant for negligence, seeking compensatory damages and lost profits.
- **Franchisor**
A Franchisor terminates a franchise agreement with one of its franchisees for failure to make royalty payments. The franchisee makes a counter-claim against the franchisor for breach of contract. The franchisee claims it was not able to make royalty payments because the business was failing due to the franchisor's failure to conduct sufficient advertising and to provide promised training.
- **Loan Broker**
A Loan Broker is retained to purchase a portfolio of loans on its client's behalf. The client provides the loan broker with written guidelines, setting forth the class of loans to be purchased. When many of the loans go into default, the client sues the loan broker, contending that the loans were not in conformity with the guidelines provided.
- **Mortgage**
A Mortgage Broker is requested to lock in a certain interest rate on behalf of a client. The Mortgage Broker fails to act in a timely manner and in the interim interest rates rise. The client is forced to accept the higher interest rate resulting in additional costs. The client sues the mortgage broker to recover the damages.
- **Property Appraiser**
A Property Appraiser appraises property on behalf of a bank in connection with the issuance of a residential mortgage. When the purchaser fails to pay its mortgage and the bank forecloses, it discovers that the value of the property is insufficient to cover the outstanding mortgage. The bank brings suit against the appraiser, contending that it failed to use due care in determining the value of the property at the time of the issuance of the mortgage.

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- **Property Manager**

A Property Manager has assumed the obligation to pay property taxes on its client's commercial building. The property manager fails to make these payments in a timely manner, and its client is assessed with a fine and a penalty. The property owner makes a claim against the property manager, requesting that it pay the fine and penalty on the client's behalf.

- **Real Estate Agent**

A Real Estate Agent represents a prospective purchaser of residential property. After the closing, various problems are identified in connection with the property. In addition to bringing suit against the seller of the property, the purchaser sues the real estate professional, claiming that he negligently failed to disclose the defective conditions prior to closing.

- **Staffing Firms**

A personnel agency filled a position for a mid-level sales manager. After one year on the job and a decline in sales, the client company fired the manager and sued the personnel agency. The company alleged the sales manager was a poor performer who wasn't properly screened by the agency. The claim settled for over \$193,000.

- **Third Party Administrators**

A number of physician practice groups retained a medical biller, who used a laptop that was stolen during a trip. State laws regarding loss of confidential information required the practices to notify all affected individuals via certified mail. The total cost of this notification was \$211,000, and the physician groups demanded reimbursement from the biller. Two of the individuals affected by the breach responded through counsel and threatened the physician groups with legal action if the loss of their confidential information resulted in adverse consequences. The groups notified the biller that they would seek indemnification if the patients pursued legal action.

- **Trustees**

A family office provided services to a number of family trusts. One trust was offered an opportunity to sell shares it owned back to the issuing company at market prices, while the other trusts were not offered the same opportunity. On advice of counsel, the family office only sold back the shares of the one trust. Subsequently, the price of the stock fell dramatically, allegedly creating substantial losses for the other trusts. The beneficiaries of these trusts brought an action, claiming breach of fiduciary duty for failing to extend the buy-back offer. The action went to trial, and the family office prevailed. However, legal expenses exceeded \$1,000,000.

- **Web Site Developer**

A Web Site Developer is retained to set up an e-commerce site for a toy company. The developer's tests of the system repeatedly fail and they do not meet established deadlines. The system is not on-line and functional for the Christmas season. The toy company sues for loss of revenue as a result of missing the Christmas season revenue.

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