

Private Company Solutions: Canadian Claims Examples

Directors & Officers Liability



Breach of Duty / Conflict of Interest Claim

Coverage Section: Directors & Officers Liability

Claim: Dispute with Franchisees

Company: Privately Held

Number of Employees: Approximately 90 (Canada and abroad)

Annual Revenue: Approximately \$18,000,000

Location of Loss: Outside of Canada

During a period of declining sales, the principals of QRS Franchise turned to their franchisor for assistance. The franchisor promised to provide support. On the recommendation of the franchisor, the principals of QRS Franchise were hired by a rival franchisee. Shortly thereafter, the rival franchisee terminated the two principals. The principals alleged that the franchisor and franchisee acted in concert to ruin them professionally. They also alleged that the franchisee gained illegal access to their computer system and stole proprietary information.

\$159,000 in defence costs were paid.

Misrepresentation

Coverage Section: Directors & Officers Liability

Claim: Misrepresentation

Company: Privately Held

Number of Employees: Approximately 300 (Canada and abroad)

Annual Revenue: Approximately \$22,500,000

Location of Loss: Outside of Canada

Company ABC is a licensor of an international restaurant franchise. It was alleged that company ABC failed to provide the plaintiffs with complete and adequate disclosure concerning the financing arrangements. Over the course of several years the plaintiffs, partial owners of a franchise, invested towards the construction of the restaurant as well as towards managerial training. Due to a lack of funding that the plaintiffs claimed was not adequately disclosed to them, the franchisee agreement was revoked and the restaurant never opened.

\$416,000 in indemnity and \$3,500,000 in defence costs were paid.

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