



Negligent consulting advice

COVERAGE	MISCELLANEOUS PROFESSIONAL LIABILITY INSURANCE
Cause of action	Negligent advice
Organization	Management consultant
Annual revenue	Approximately \$50 million

DESCRIPTION OF EVENT

A management consultant was hired by the president of an auto parts distributor to help the organization with staffing, budgets, and executive decision making. The consultant implemented a reorganization strategy that redefined management roles and delegation, initiated spending controls, and used a new staffing model to address the organization's needs. However, 18 months after the reorganization, the client alleged that the spending control solution and staffing model had a negative impact on its bottom line when the expense of hiring and training new employees was accounted for. The client sued the management consultant for negligence in rendering a flawed solution to its problem, seeking compensatory damages including, but not limited to, lost profits.

RESOLUTION

The case settled for nearly \$150,000. Defense costs exceeded \$75,000.



Chubb Group of Insurance Companies

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Loss scenarios are hypothetical in nature and for illustrative purposes only. Whether or not or to what extent a particular loss is covered depends on the facts and circumstances of the loss and the terms, conditions, and endorsements of the policy as issued. It is impossible to state in the abstract whether the policy would necessarily provide coverage in any given situation. Consult your agent, broker, or other expert.

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