

BRIAN HUGHS,)
)
Plaintiff,)
)
v.)
) C.A. No. N25C-04-099 CLS
)
ROYAL ENERGY RESOURCES, INC.)
and XL SPECIALTY INSURANCE,)
CO.,)
)
Defendants.)
)

Upon Consideration of Plaintiff's Motion for Judgment on the Pleadings,
DENIED.

MEMORANDUM OPINION

Robert Katzenstein, Esquire, of SMITH, KATZENSTEIN & JENKINS LLP, and Leslie S. Ahari, Esquire (admitted Pro Hac Vice), of WERNER AHARI MANGEL LLP, *Attorneys for Defendants.*

SCOTT, J.

Before the Court are Cross-Motions for Judgment on the Pleadings from Plaintiff Brian Hughs (“Mr. Hughs”) and Defendant XL Specialty Insurance Company (“XL”) in a directors’ and officers’ insurance policy coverage dispute. For the following reasons, Mr. Hughs’s Motion for Judgment on the Pleadings is DENIED, and XL’s Motion for Judgment on the Pleadings is GRANTED.

FACTUAL AND PROCEDURAL BACKGROUND

I. Parties and Other Individuals and Entities

Mr. Hughs is a South Carolina resident, a former director and officer of Royal Energy Resources, Inc. (“Royal”), and a former director of Rhino Resource Partners, LP (“Rhino”).¹ Defendant Royal is a Delaware corporation with its principal place of business in South Carolina.² Defendant XL is a Delaware corporation that offers director and officer liability insurance.³ Nonparty Rhino is a Delaware limited partnership with its principal place of business in Kentucky.⁴ Royal owns all outstanding units of Rhino’s general partner, Rhino GP, LLC, and “a majority of the outstanding common units and subordinated units of Rhino.”⁵ Nonparty William Tuorto (“Mr. Tuorto”) at all relevant times owned or controlled a majority of the outstanding voting power of Royal, became the only director of Royal after Mr.

¹ Second Am. and Supp. Verified Compl., D.I. 1, ¶ 11 (“SAC”).

² *Id.* ¶ 12.

³ *Id.* ¶ 13.

⁴ *Id.* ¶ 14.

⁵ *Id.* ¶ 14.

Hughs's separation from Royal, and at all relevant times was Chairman of the Rhino Board.⁶ Royal and Rhino (collectively, the "Companies") "report their financial results on a consolidated basis and share coverage under" the XL insurance policy.⁷

II. The XL Insurance Policy

Rhino purchased the Executive and Corporate Securities Liability Insurance Policy No. ELU157571-18 from XL with an effective date of September 17, 2018 through June 1, 2019 (the "Policy").⁸ XL does not dispute that Mr. Hughs is an **Insured Person** under the Policy as a former director/officer of Rhino and Royal.⁹ XL also does not dispute that the definition of **Company** includes both Rhino and Royal.¹⁰ At issue here is Insuring Agreement I(E), which covers the following losses incurred by **Insured Persons**:

(E) The Insurer shall pay on behalf of the **Company Defense Expenses** incurred by the **Insured Persons** resulting from an **Interview** to the extent the **Company** is required or permitted to pay on behalf of the **Insured Persons** such **Defense Expenses**.¹¹

Under the Policy, **Defense Expenses** is defined as:

reasonable and necessary legal fees, expenses and other costs (including experts' fees):

⁶ *Id.* ¶ 12.

⁷ *Id.* ¶ 15.

⁸ *Id.* ¶ 44; Def XL Specialty Ins. Co.'s Mot. for J. On the Pleadings, D.I. 8 ("XL Opening Br.") at Decl. of Brian Clifford in Support of XL's Opening Br. ("Clifford Decl."), Ex. 1 ("Policy").

⁹ XL Opening Br. at 7, Policy § II(J). Words that appear in bold are as they appear in the Policy.

¹⁰ *Id.* at 9, Policy § I.

¹¹ Policy § I.

- (1) incurred in the investigation, adjustment, settlement, defense and/or appeal of any **Claim, Investigation Demand, or Interview**, including any preparation for such an Interview;
- (2) incurred due to the arrest and detainment or incarceration of any **Insured Person** in his or her capacity as a director or officer of the **Company** and directly related to the business of the **Company**;
- (3) incurred in connection with any **Claim** under section 304 of the Sarbanes-Oxley Act of 2002 or imposed pursuant to section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act; or
- (4) incurred in defense of any **Corporate Manslaughter Charge**.

Defense Expenses will not include the **Company's** overhead expenses or any salaries, wages, fees, or benefits of its directors, officers or employees.¹²

An **Interview** is defined as:

- (1) a written request first received by an **Insured Person** during the **Policy Period** for a voluntary interview, meeting or sworn statement by:
 - (a) any **Enforcement Authority**;
 - (b) or the **Company** in connection with an **Investigation Demand** or an investigation or other inquiry of the **Company** by an **Enforcement Authority**; or
- (2) an arrest or confinement of an **Insured Person** during the **Policy Period** to a specified residence or secured custodial premises operated by an **Enforcement Authority**, but only in connection with the business of the **Company** or an **Insured Person's** capacity as such or due to his/her status as such;

provided that **Interview** will not include: any document production or discovery in a legal proceeding; any request that is part of any routine or regularly scheduled oversight, compliance, audit, inspection or

¹² *Id.* § II(F).

examination; or any request that is part of an employment-related investigation or **Claim**¹³

Enforcement Authority means “any federal, state, local or foreign law enforcement or governmental regulatory authority[.]”¹⁴ Finally, an **Investigation Demand** is:

an investigation by the **Company** to determine whether it is in its best interest to prosecute the allegations made by a security holder of the **Company** in a derivative demand or action. An **Investigation Demand** shall be deemed first made upon the earlier of: receipt of such allegations by the **Company** or service of a civil complaint or similar proceeding setting forth such allegations.¹⁵

III. The Alleged Investigations

In December 2018, Mr. Hughs reported to the Rhino Board that Mr. Tuorto may have engaged in self-dealing and other improper conduct involving Rhino transactions.¹⁶ Mr. Hughs claimed that Mr. Tuorto did not act in Rhino’s best interests when encouraging the sale of its Sands Hill mining complex because Mr. Tuorto stood to personally profit from the Sands Hill limestone sales.¹⁷ Further, Mr. Hughs alleged that Mr. Tuorto was also working with another company to “underreport coal sales” and defraud Royal of its royalties for coal mined on the Sands Hill mine.¹⁸ The Rhino Board initiated an investigation into Mr. Hughs’s

¹³ *Id.* § II(L).

¹⁴ *Id.* § II(H).

¹⁵ *Id.* § II(M).

¹⁶ SAC ¶ 18.

¹⁷ XL Opening Br., Decl. of Leslie S. Ahari ISO of XL’s Opening Br. (“Ahari Decl.”), Ex. 6 ¶¶ 29–48.

¹⁸ *Id.* ¶ 70.

claims (the “Audit Committee Investigation”) and retained an outside law firm, Jones Day, to represent it.¹⁹ On January 2, 2019, Jones Day interviewed Mr. Hughs for “approximately one hour.”²⁰

Due to his report, Mr. Hughs’s relationship with Mr. Tuorto suffered a “breakdown” and the “two did not speak again for months.”²¹ Mr. Tuorto did, however, inform Mr. Hughs in February 2019 that the Federal Bureau of Investigation (“FBI”) was “knocking on doors” of Royal stockholders.²² Mr. Hughs also learned that the FBI contacted additional stockholders about their investment in Royal, which they stated was through their relationship with Mr. Hughs (the “FBI Investigation”).²³

After learning about the FBI Investigation in February 2019, Mr. Hughs “retained separate counsel to represent him personally in both the Rhino Audit Committee’s investigation, as well as any impending FBI investigation.”²⁴ “As of August 16, 2019, the FBI had not contacted Mr. Hughs, but his counsel has conducted legal analysis and rendered legal advice to Mr. Hughs in the event that should occur.”²⁵

¹⁹ SAC ¶ 18.

²⁰ Ahari Decl., Ex. 6 ¶ 74.

²¹ SAC ¶ 18.

²² *Id.* ¶ 21.

²³ *Id.* ¶ 22.

²⁴ *Id.* ¶ 38.

²⁵ *Id.*

By March 2019, the Audit Committee informed the Rhino Board that outside counsel did not find “any evidence of wrongdoing.”²⁶ On April 10, 2019, Mr. Hughs asked, and the Audit Committee agreed, to continue the investigation despite its findings.²⁷ About a week later, Mr. Hughs sent a Claim Notice to XL that he was seeking indemnification and advancement rights for the Audit Committee Investigation and the FBI Investigation (collectively, the “Investigations”) under Royal’s bylaws and Rhino’s limited partnership agreement.²⁸

Several weeks later, on April 30, 2019, Mr. Hughs filed a whistleblower complaint with the Securities Exchange Commission.²⁹ That same day, Mr. Hughs resigned from his position at Rhino based on his concerns that the Audit Committee was not conducting a proper investigation.³⁰

Mr. Hughs alleges that the Companies then retaliated against him when Royal terminated Mr. Hughs’s employment in a letter dated May 9, 2019.³¹ The letter stated that Mr. Hughs was fired for “failing to abide by company policies, fraud, and embezzlement.”³² On May 31, 2019, XL responded to Mr. Hughs’s Claim Notice

²⁶ *Id.* ¶ 23.

²⁷ *Id.*

²⁸ Clifford Decl., Ex. 2; SAC ¶ 54.

²⁹ SAC ¶ 81.

³⁰ *Id.* ¶ 24.

³¹ *Id.* ¶ 26.

³² *Id.*

that it did not appear that the Investigations would be covered under the Policy absent more information.³³

IV. Mr. Hughs Commences this Action

On May 29, 2019, Mr. Hughs sent a letter to the Companies (the “Demand Letter”) demanding indemnification and advancement for the Audit Committee Investigation and the FBI Investigation.³⁴ The Companies rejected the Demand, concluding that Mr. Hughs was not entitled to indemnification and advancement.³⁵ Consequently, on September 17, 2019, Mr. Hughs filed this action in the Court of Chancery against the Companies to enforce his rights to indemnification and advancement under Royal’s bylaws and Rhino’s limited partnership agreement.³⁶ As the case proceeded, the parties started discussing the potential settlement of Mr. Hughs’s claims.³⁷ On July 22, 2020, however, Rhino filed a bankruptcy petition in the Southern District of Ohio.³⁸ Accordingly, the Court of Chancery removed the November 2020 trial dates from the calendar.³⁹

In September 2020, Hughs filed a Motion for Interim Relief from the Automatic Stay in Rhino’s bankruptcy proceeding to pursue coverage of his claims

³³ Clifford Decl., Ex. 3; SAC ¶ 55.

³⁴ SAC ¶ 29.

³⁵ *Id.* ¶¶ 31–38.

³⁶ *Id.* ¶ 39; Compl., *Hughs v. Rhino Resource Partners, LP*, C.A. No. 2019-0744-JRS (Del. Ch. 2019), D.I. 1 (“Ct. of Ch. Action”).

³⁷ SAC ¶ 43.

³⁸ *Id.*

³⁹ *Id.* ¶ 43.

against XL in this action.⁴⁰ The United States Bankruptcy Court for the Southern District of Ohio granted Mr. Hughs's Motion.⁴¹

In February 2021, Mr. Hughs demanded that XL indemnify and advance the costs and fees incurred from the Audit Committee Investigation, the FBI Investigation, this action, and the Motion for Interim Relief from Bankruptcy Court. After XL and counsel for Mr. Hughs exchanged communication regarding Mr. Hughs's claims for coverage and supporting documentation, XL ultimately denied coverage under the policy in July 2021.

On November 23, 2021, Mr. Hughs filed a Motion for Leave to Amend the Second Amended Complaint ("SAC") in the Court of Chancery to add XL as a party. The Court of Chancery granted Mr. Hughs's Motion on February 1, 2022. Mr. Hughs filed the SAC on February 2, 2022, asking for declaration of coverage under the Policy and seeking \$491,120.73 in indemnification and advancement costs and fees for the Investigations, this action, and the Motion for Interim Relief.⁴²

On March 7, 2022, XL filed its Answer to the SAC and Counterclaim against Mr. Hughs.⁴³ XL's counterclaim seeks declaratory judgment that Mr. Hughs's claims are not covered by the Policy.⁴⁴ Over a year later, on April 21, 2023, the parties filed

⁴⁰ Ahari Decl., at Ex. 9.

⁴¹ *Id.* at Ex. 10.

⁴² *See generally* SAC.

⁴³ *See generally* XL's Answ. to SAC and Counterclaim, D.I. 9.

⁴⁴ *Id.*

Cross-Motions for Judgment on the Pleadings. The parties filed Responses in Opposition on July 7, 2023. On April 9, 2025, the action was transferred to this Court under 10 *Del. C.* § 1902. On February 3, 2026, the parties uploaded the briefings to this Court’s docket.⁴⁵ The Court held oral argument on the Cross-Motions for Judgment on the Pleadings on June 17, 2026. The transcript of that proceeding was docketed on August 21, 2026.⁴⁶

PARTIES’ CONTENTIONS

Mr. Hughs argues that he is entitled to indemnification and advancement under Insuring Agreement I(E) of the Policy. Specifically, Mr. Hughs claims that the “Audit Committee Investigation constitutes an Investigation Demand” under the Policy.⁴⁷ Mr. Hughs also claims that the costs and fees from the FBI Investigation meet the definition of Defense Expenses because they were incurred in preparation for an interview with the FBI.⁴⁸ Finally, Mr. Hughs contends that he is also entitled to coverage for this action and the Motion for Interim Relief filed in the Rhino Bankruptcy Action as Mr. Hughs should not bear the expense of enforcing his indemnification and advancement rights, and XL “must stand in [the Companies’] shoes and satisfy their obligations.”⁴⁹

⁴⁵ See Brian Hughs’s Opening Br. in Support of Mot. for J. on the Pleadings, D.I. 7 (“Hughes Opening Br.”); XL Opening Br.

⁴⁶ D.I. 14.

⁴⁷ Hughs Opening Br. at 15.

⁴⁸ *Id.* at 16.

⁴⁹ *Id.* at 17.

XL, on the other hand, posits that it is entitled to declaratory judgment that the Policy does not cover the costs and fees claimed by Mr. Hughs.⁵⁰ First, XL contends that neither of the Investigations constitute an **Interview** under the Policy.⁵¹ Alternatively, XL claims that even if the Investigations constitute **Interviews**, the fees and costs from Mr. Hughs’s counsel are not **Defense Expenses** because Mr. Hughs was “on the offensive against Royal, Rhino, and Tuorto.”⁵² Lastly, XL argues that Mr. Hughs does not allege facts or authority supporting “the conclusory assertion that XL Specialty stepped in the shoes of” the Companies for purposes of covering costs from this action and the Motion for Interim Relief.⁵³

STANDARD OF REVIEW

Under Superior Court Civil Rule 12(c), “any party may move for judgment on the pleadings.” “In resolving a Rule 12(c) motion, the Court accepts the truth of all well-pleaded facts and draws all reasonable factual inferences in favor of the non-movant.”⁵⁴ The standard of review on a motion for judgment on the pleadings tracks

⁵⁰ XL makes various arguments about every Insuring Agreement under the Policy not covering Mr. Hughs claims. *See* XL Opening Br. at 23–25. However, Mr. Hughs concedes that the only Insuring Agreement at issue here is I(E). Hughs Answering Br., D.I. 7, at 2.

⁵¹ XL Opening Br. at 26–28.

⁵² *Id.* at 29.

⁵³ *Id.* at 32.

⁵⁴ *Fortis Advisors LLC v. Boston Dynamics Inc.*, 2025 WL 1356521, at *3 (Del. Super. Apr. 29, 2025) (citing *D’Antonio v. Wesley Coll., Inc.*, 2023 WL 9021767, at *2 (Del. Super. Dec. 29, 2023)).

the standard for a motion to dismiss under Rule 12(b)(6).⁵⁵ Accordingly, “[t]he Court will not grant judgment on the pleadings unless, after drawing all reasonable inferences in favor of the non-moving party, no material issues of fact exists and movant is entitled to judgment as a matter of law.”⁵⁶

Cross-motions for judgment are treated like cross-motions for summary judgment: “[w]here the parties . . . have not presented argument [in cross-motions] to the Court that there is an issue of fact material to the disposition of either motion, the Court shall deem the motions to be the equivalent of a stipulation for decision on the merits based on the record submitted with the motions.”⁵⁷

Here, Mr. Hughs has the burden to prove that the Policy covers his claim for indemnification and advancement.⁵⁸ If Mr. Hughs meets that burden, “the burden then falls on the insurer to prove the elements of a policy exclusion.”⁵⁹ In the event the insurer meets their burden, the burden shifts back again and the insured must then prove that an exception to a policy exclusion applies.⁶⁰

⁵⁵ *Silver Lake Office Plaza, LLC v. Lanard & Axilbund, Inc.*, 2014 WL 595378, at *6 (Del. Super. Jan. 17, 2014) (quoting *Blanco v. AMVAC Chem. Corp.*, 2012 WL 3194412, at *6 (Del. Super. Aug. 8, 2012)).

⁵⁶ *Four Cents Hldgs., LLC v. M&E Printing, Inc.*, 2025 WL 2366460, at *4 (Del. Super. Aug. 12, 2025) (citing *Ford Motor Co. v. Earthbound, LLC*, 2024 WL 3067114, at *7 (Del. Super. June 5, 2024)).

⁵⁷ *Silver Lake Office Plaza, LLC*, 2014 WL 595378, at *6 (quoting Super. Ct. Civ. R. 56(h)) (internal quotation marks omitted).

⁵⁸ *E.I. duPont de Nemours & Co. v. Admiral Ins. Co.*, 711 A.2d 45, 53 (Del. 1995) (internal citations omitted).

⁵⁹ *Id.*

⁶⁰ *Id.*

DISCUSSION

Under Delaware law, insurance policies “are construed as a whole, to give effect to the intentions of the parties.”⁶¹ Clear and unambiguous language in an insurance policy is given “its ordinary and usual meaning” to ascertain the parties’ intent.⁶² A contract “is ambiguous only when the provisions in controversy are reasonably or fairly susceptible of different interpretation or may have two or more different meanings.”⁶³ Just because the parties disagree on the insurance policy’s construction does not make it ambiguous, and “Delaware courts will not ‘destroy or twist’ the words of a clear and unambiguous insurance contract.”⁶⁴

I. The alleged FBI Investigation is not covered under the Policy.

Mr. Hughs alleges the FBI investigated the Companies and he was obliged to seek counsel to prepare for an interview with the Bureau. While the FBI would be considered an **Enforcement Authority** under the Policy, the SAC does not allege, and the record does not show, that the FBI requested a “voluntary interview, meeting, or sworn statement” in writing from Mr. Hughs.⁶⁵ In fact, Mr. Hughs alleges that he was never contacted by the FBI and only learned of a potential investigation through

⁶¹ *In re Solar Ins. Coverage Appeals*, 240 A.3d 1121, 1131 (Del. 2020) (quoting *AT&T Corp. v. Faraday Cap. Ltd.*, 918 A.2d 1104, 1108 (Del. 2007)) (internal quotation marks omitted).

⁶² *Id.* (quoting *AT&T Corp.*, 918 A.2d at 1108).

⁶³ *Id.* (quoting *E.I. duPont de Nemours & Co. v. Allstate Ins. Co.*, 693 A.2d 1059, 1061 (Del. 1997)) (internal quotation marks omitted).

⁶⁴ *Id.* (citing *O’Brien v. Progressive Northern Ins. Co.*, 785 A.2d 281, 288 (Del. 2001); *Hallowell v. State Farm Mut. Ins. Co.*, 443 A.2d 925, 926 (Del. 1982)).

⁶⁵ Policy §§ II(H), (L).

Mr. Tuorto and other stockholders.⁶⁶ Consequently, the facts as alleged do not meet the definition of **Interview** under the Policy and Mr. Hughs is not entitled to any fees and costs associated with the FBI Investigation.

Mr. Hughs argues that the definition of **Defense Expenses** is ambiguous for purposes of determining whether his fees constitute preparation for an **Interview**. Mr. Hughs asks the Court to construe this term broadly to prevent XL from being able to avoid obligations of coverage any time an insured prepares for an **Interview** but does not end up participating. In the contract read as a whole, an **Interview** requires that the Insured **Person** receive a written request for an **Interview**. Once that request is received, it necessarily follows that the **Insured Person** would prepare for that **Interview**. Therefore, it is plain from the Policy that an **Interview** is not intended to cover costs and fees incurred where an **Insured Person** like Mr. Hughs is preparing for a *possible* interview based on what he “independently learned” about a purported Investigation.⁶⁷ As XL points out, absent a written request for an **Interview** by the FBI, “Hughs legal fees and costs could not have ‘resulted from’ . . . a written request.”⁶⁸ The Court finds that **Defenses Expenses** are not ambiguous as written in the Policy and do not include these circumstances.

⁶⁶ SAC ¶ 38.

⁶⁷ SAC ¶ 22.

⁶⁸ XL Answering Br. at 12; *see also Sycamore Partners Mgmt., L.P. v. Endurance American Ins. Co.*, 2021 WL 4130631, at *12 (Del. Super. Sept. 10, 2021) (citing *Mumford & Miller Concrete, Inc. v. Marinis Bros, Inc.*, 2015 WL 19147431, at *5 (Del. Super. Apr. 16, 2015)) (defining

Even if the FBI Investigation constituted an **Interview** under the Policy, the costs incurred for the FBI Investigation would not qualify as **Defense Expenses**. Given that there was no **Claim, Investigation Demand, or Interview**—or associated preparation resulting from such an occurrence—Mr. Hughs did not incur **Defenses Expenses** as defined under the Policy. The Court agrees with XL that Mr. Hughs “was on the offensive” when it came to the FBI Investigation.⁶⁹ As Mr. Hughs alleges, from the time Mr. Hughs retained counsel for the alleged FBI Investigation, no tangible issue was raised by the FBI that required Mr. Hughs to defend himself. Therefore, the Court finds the Policy does not cover the alleged FBI Investigation.

II. The Audit Committee Investigation is not covered under the Policy.

Mr. Hughs argues that the Audit Committee Investigation is covered under Insuring Agreement I(E). The dispositive issue here is whether the Audit Committee Investigation is considered an **Investigation Demand** under the Policy. Mr. Hughs contends that it is because it “was conducted by [Rhino] to determine whether to prosecute the allegations made by a security holder (Mr. Hughs).”⁷⁰ XL maintains that this is the first time Mr. Hughs is asserting he is a security holder in Rhino, which is never alleged in the SAC or supported by the record. Absent evidence that

“resulting from” as synonymous with “originating from or having some meaningful linkage with”).

⁶⁹ XL Opening Br. at 29.

⁷⁰ Hughs Opening Br. at 15.

Mr. Hughs is a security holder, his allegations would not trigger coverage of Mr. Hughs as a director/officer under the Policy.

The definition of **Interview** under the Policy includes any written request received by the **Insured Person** for a voluntary interview, meeting, or sworn statement by “the **Company** in connection with an **Investigation Demand**.”⁷¹ **Investigation Demand** includes “an investigation by the Company to determine whether it is in its best interest to prosecute the allegations made by a security holder of the **Company** in a derivative demand or action.”⁷² This Court has defined a security holder as “a person with legal possession of a document of title or an investment security.”⁷³

The evidence shows that Mr. Hughs did not retain counsel until February 2019, which is a month after the January 2, 2019 Audit Committee Investigation interview.⁷⁴ This is not only alleged in the SAC, but also evident from Mr. Hughs’s counsel’s invoices.⁷⁵ The Court cannot reconcile this discrepancy with Mr. Hughs’s contention that he retained counsel to prepare for the interview.

Even if Mr. Hughs incurred costs and fees for the January 2019 interview, the Audit Committee Investigation is not covered under the Policy because it does not

⁷¹ Policy § I(L).

⁷² *Id.* § I(M).

⁷³ *Verizon Communications Inc. v. National Union Fire Ins. Co. of Pittsburgh*, 2021 WL710816, at *9 (Del. Super. Feb. 23, 2021) (internal citation omitted).

⁷⁴ SAC ¶ 22.

⁷⁵ *Id.*, Clifford Decl. at Ex. 5.

seem that Mr. Hughs is a security holder of Rhino. First, the SAC alleges that Mr. Hughs raised his concerns to the Rhino Board as a director/officer, not as a security holder. Moreover, it appears from the SAC that it would be impossible for Mr. Hughs to be a security holder in Rhino because he alleges that “Royal owns all of the outstanding units of Rhino GP and a majority of the outstanding common units and subordinated units of Rhino.”⁷⁶ Mr. Hughs has not provided support for the assertion that he is a security holder, and he did not retain counsel before the interview. The Court finds that the costs and fees from the Audit Committee Investigation are not covered under the Policy.⁷⁷

III. XL cannot “step into the shoes” of the Companies.

Mr. Hughs argues that the Companies admitted liability for advancement and indemnification and XL is required to pay such obligations because Rhino is in bankruptcy. XL contends that their coverage can be triggered by bankruptcy, it is still limited to their contractual obligations under the Policy. While XL does not dispute that the Companies likely owed Mr. Hughs indemnification for his legal expenses and Rhino conceded as much, XL is an insurer not a guarantor. XL’s obligations are defined by their policies, contracts the Court has found to be

⁷⁶ SAC ¶ 14.

⁷⁷ The Court does not address whether Mr. Hughs is entitled to coverage for this action and the Motion for Interim Relief as it finds he is not covered generally. Mr. Hughs’s argument rests on the fact that the Policy includes costs and fees for covered events.

unambiguous, rather than by commitments defined by the company insured under the policies. Mr. Hughs has not cited precedent or authority to support his argument that as an insurer XL must pay out obligations owed by its bankrupt insured. The Court agrees with XL that XL is not obliged to “step into the shoes” of the Companies beyond the scope of the Policy.

CONCLUSION

For the foregoing reasons, Mr. Hughs’s Motion for Judgment on the Pleadings is **DENIED**, and XL’s Motion for Judgment on the Pleadings is **GRANTED**.

IT IS SO ORDERED.

/s/ Calvin Scott
Judge Calvin L. Scott, Jr.