



News from Chubb Insurance Company of Canada

Private Companies: Welcome to the Big (Risk) Leagues Chubb Survey Shows Lawsuits Could Cripple Private Companies, Officers & Directors

Toronto, ON, October 28, 2008 – While two-thirds of Canadian private companies have experienced a management liability event (most commonly employee theft, vandalism or harassment complaints, and law suits against company officers and directors) in the last five years, almost one third do not have any form of management or professional liability insurance. This was one of the key findings of the Chubb Private Company Risk Survey, released today by Chubb Insurance Company of Canada.

“Clearly no company is immune to management liability risks,” said David Williams, Senior Vice President of Specialty Insurance for Chubb Insurance Company of Canada. “But what these numbers suggest is that many private companies may be much more exposed than they realize.”

Even the smallest companies today face many of the same management liability risks as large, publicly traded firms, a trend exacerbated by current economic conditions. Chubb’s survey is one of the first of its kind to examine these risks for Canadian firms, looking specifically at eight key management liability lines of coverage: Crime, Employment Practices Liability (EPL), Directors & Officers (D&O), Workplace Violence, Errors & Omissions (E&O), Cyber-theft, Fiduciary and Kidnap & Ransom (K&R). Key findings include:

- Of the 300 Canadian private companies polled, 34% had between 25 and 49 employees.
- 66% of respondents experienced a management liability event (typically a law suit) in the last five years, and 59% expect to encounter one in the coming year.
- 31% of companies had no form of management liability insurance, with adoption for lines of coverage ranging from 5% for K&R to 35% for D&O and 39% for Crime.
- Illustrating how companies may not be aware of their exposure, fewer companies had EPL insurance (22%) than those that either experienced an EPL event in the last five years (34%), or expect to face one (25%) in the next year.
- The costs incurred in lawsuits and other events ranged from \$26,500 for Fiduciary events to \$361,856 for events related to D&O.

Additional findings included which risks were of the most concern to private companies, what corporate governance, anti-discrimination and other mitigating practices firms had in place, and the reasons why respondents hadn’t purchased management liability insurance.

Select findings are available in an Executive Summary at <http://www.chubbinsurance.com/journalists/PrivateCompanySurvey/>

The most common reasons cited for not purchasing insurance were a lack of perceived risk or exposure, and the assumption that related risks were covered under other existing policies.

“It may be understandable for private companies to make these assumptions, but they can be very, very dangerous to make,” said Williams. “With costs reaching into the hundreds of thousands of dollars, and some lawsuits lasting as long as 10 years, even one event can be financially crippling, and personally damaging, both for the firms and their officers and directors. The financial impact can be even more damaging to firms’ cash flow when credit facilities are tight. ”

Both positive and negative factors are behind the changes in private company risks. On the one hand, workforce reductions in response to economic crises can precipitate lawsuits, theft or vandalism from disgruntled employees. Conversely, growth companies expanding into new global markets face new risks in the way of new regulations, or even the risk of kidnapping.

Williams added, “Whether it is downsizing or outsourcing, new products or new markets, private firms have to respond to both challenges and opportunities just like their public counterparts. And many of these steps lead to a direct increase in risk exposure.”

Canadian research firm Pollara carried out the survey in late 2007, interviewing specialty insurance decision-makers at 300 Canadian for-profit, private companies, and 469 firms in the U.S. While the first to study Canadian companies, it is Chubb’s third survey of private firms in the U.S. since 2003.

Chubb Insurance Company of Canada has offices in Toronto, Montreal, Vancouver, and Calgary and employs an exclusive network of more than 200 brokers across Canada.

The member insurers of the Chubb Group of Insurance Companies form a multi-billion dollar organization providing property and casualty insurance for personal and commercial customers worldwide through 8,000 independent agents and brokers. Chubb's global network includes branches and affiliates in North America, Europe, Latin America, Asia and Australia.

For additional information, including an *Executive Summary* of the survey results, please visit <http://www.chubbinsurance.com/journalists/PrivateCompanySurvey/> or contact:

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