



News from Chubb Insurance Company of Canada

Canadian Private Companies: Taking Risks with Risk Management

2010 Private Company Survey finds that 59% of Privately Held Firms Plan to Add Employees, 60% Plan to Broaden Their Product or Service offerings and 23% anticipate M&A activity.

Toronto, November 29, 2010 — While such actions spur business growth for private companies as they continue to recover from difficult economic circumstances, they may also increase exposure to liability claims and lawsuits. One of the key findings of the survey was that private companies expect financially damaging events to occur, but only 1 in 4 companies have purchased management liability, professional liability, or crime policies to guard against such events.

The survey indicated that executives may have a misplaced belief that these exposures are being managed by other insurance policies. While other policies may provide some protection, they do not normally provide the breadth of coverage or capacity of a specialty product.

The risks private companies recognize as having the most potential financial damage include:

- Employment Practices Liability
- Errors and Omissions
- Employee Theft
- Directors and Officers
- Electronic Security Breach

Twenty-five percent of respondents indicated that an employment practices liability (EPL) lawsuit was the loss event that would cause the most financial damage to their company. Errors & Omissions (17%), employee theft (16%), a breach of electronically-stored private customer data (9%) and Directors and Officers (9%) were also ranked as potentially damaging.

Within the last 5 years, 33% of respondents experienced an EPL event, 30% experienced an employee theft related event and 14% of companies experienced an Errors and Omissions loss.

The total cost, including defence costs, related to these events can be significant, particularly for private companies.

For example, the average loss from employment practices reported by survey respondents was \$59,402; however, in one case the cost was \$2,000,000. The largest loss from workplace crime reported in the survey was \$2,500,000. Among those experiencing Directors and Officers losses, the average loss was \$229,756 with the largest loss being \$2,000,000. For Errors and Omissions, the average loss was approximately \$63,000 with the largest loss being \$900,000.

Select findings are available in an Executive Summary at:

<http://ecno.com/PrivateCompanySurvey/CHB15178PrivCoSurExec10.pdf>

Canadian research firm Pollara carried out the survey in January and February of 2010, interviewing specialty insurance decision-makers at 296 Canadian for-profit, private companies and 451 in the United States. This is the second survey of Canadian companies since 2007, and Chubb's fourth 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 8,500 independent agents and brokers. Chubb's global network includes branches and affiliates in North America, Europe, Latin America, Asia and Australia.

For additional information, please visit www.chubbinsurance.com or contact:

Felicia Kostecky
Calexis Advertising
(416) 967-9500 ext. 316
felicia@calexis.com