

Industry Insights: Management Liability Defence Costs Increase for Public Companies in Canada

Mitigate your management liability exposures

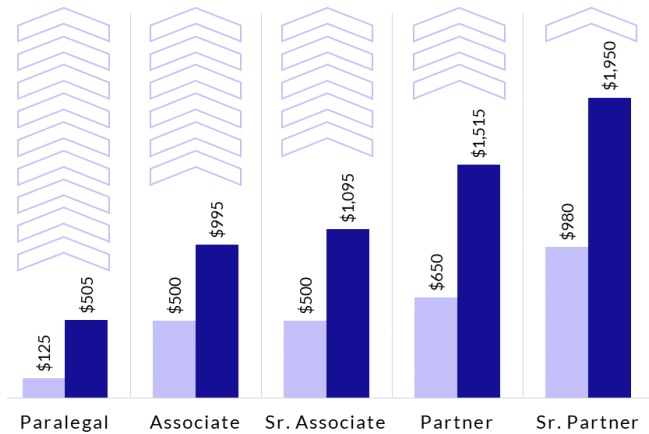
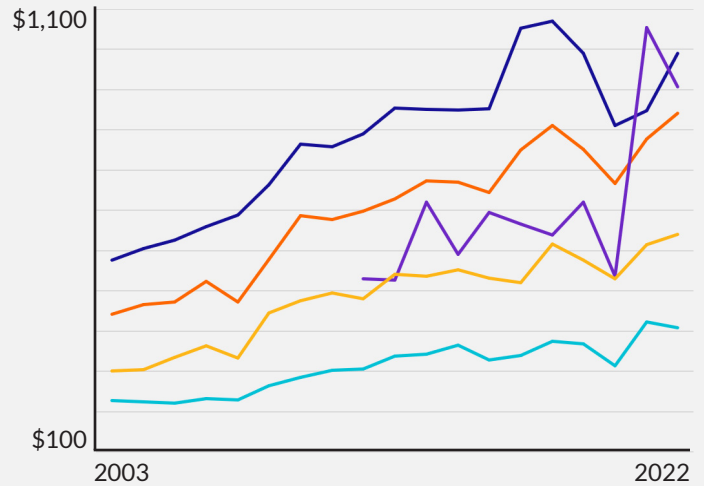
Inflationary defence costs continue to erode D&O limits at a quicker pace as a result of increasing legal rates and the complexity of cases, driven by elevated legal fees, expert fees, as well as multi-national and multi-jurisdictional defence strategies.

Average Hourly Legal Rates

Since 2018, the hourly rates of Legal Professionals are increasing at a strong pace, contributing to the rise in defence costs.

Particularly, the increasing rates of less-tenured titles have driven an increase in costs, as they comprise the majority of bodies touching any given case file.

\$990 Sr. Partner: Flat	\$841 Partner: ↑10%	\$907 Sr. Associate: ↑54%
\$540 Associate: ↑21%	\$308 Paralegal: ↑23%	<small>*Suits filed 2018-2022</small>



Top Hourly Legal Rates

The top observed rates by position have also seen significant increases from 2009 to 2022 at each level of legal support.

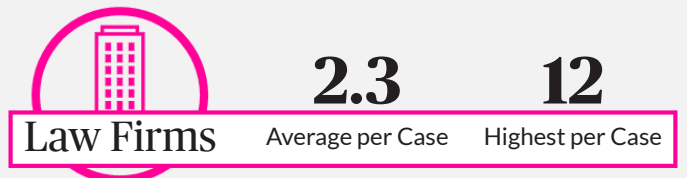
Our insureds require and deserve the best defence possible. Claims complexity and inflationary pressures are translating into elevated legal costs.

*Suits filed 2009-2022

Complexity of Cases

In recent years, there has been a higher number of law firms and lawyers involved in each file due to the complexity of issues, jurisdictions involved and in some cases, mid-litigation decisions to change primary legal representation.

- **Complex D&O Claims**, often involving multi-state/province, federal, and cross-border filings, necessitate the involvement of additional local or agent counsel
- **Strategic decisions to switch primary or secondary law firms mid-litigation** often increases the total number of lawyers involved and results in additional overall defence spend



*Suits filed 2009-2022

Expert Fees

Defence expert fees are increasing at or above rate of legal professionals. Why?

- **Senior expert rates** are comparable to partner rates (between \$965-1,055/hour USD)
- **Non-traditional staffing models** necessitate larger teams

Expert categories include: Economic Damage Quantification & Loss Causation, Liability and E-Discovery & Litigation Management Services



Defence expert costs can account for up to

25%

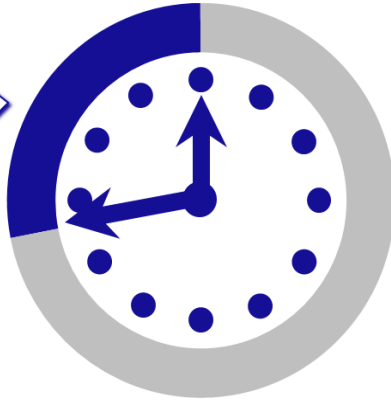
of defence spend and are increasing at or above the rate of legal experts.

*Suits filed 2017-2022

The average case length has increased by

28%

since 2015.



Average Case Length

Since 2015 the average D&O case length has increased to 6 years. Lengthy cases compounded with the increasing hourly rates of legal representation further drive the cost of defence.

Early settlements achieve a reduced defence cost by cutting back on hourly wages billed by lawyers and experts.

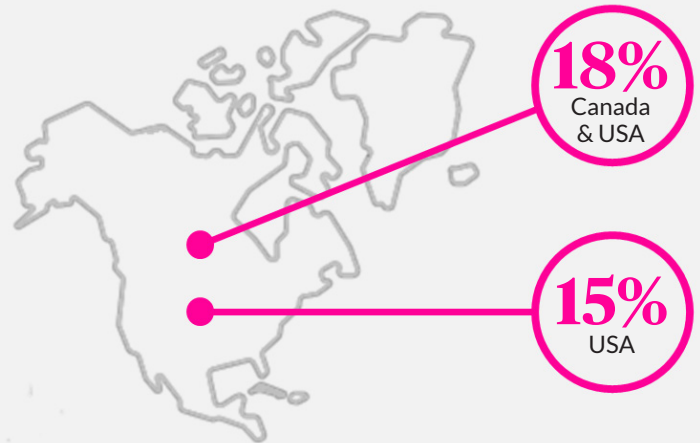
*Suits filed 2015-2022

Increase in Cross-border Cases

The cost to defend a cross-border/multi-province case is higher than average due to the complexity of proceedings, the involvement of multiple law firms and the need to be responsive to multiple jurisdictions' civil litigation rules and procedures.

Since 2003, 15% of cases are filed in the US, 18% are filed in the US & Canada and 3% are filed overseas.

*Suits filed 2003-2022



Financial Impact of Defence Costs

Defending a D&O case can cost your organization a significant amount of time and money. The significantly increased costs and duration of these cases comes primarily from an increase in hourly legal rates and claims complexity. Partnering with an experienced D&O Leader like Chubb with a strong claims team can help you manage and mitigate your exposures.

6 Years

Average Case Length
An increase of 28% since 2015

\$5.8 M

Average Defence Cost
Canadian Traded Only
An increase of 29% since 2015

\$12.3 M

Average Defence Cost
An increase of 84% since 2015

The Chubb Advantage

Market Leadership – For more than 40 years, organizations have entrusted their complex D&O liability risks to Chubb. Our depth of understanding of directors' and officers' roles and exposures allows us to provide bold, clean, broad coverage that stands out in the market.

Full Suite of D&O Liability Coverage – We are one of the few insurers that can offer organizations a complete spectrum of D&O liability insurance solutions for organizations and individuals.

Global D&O Liability Underwriting and Claims Capabilities – Our worldwide expertise and local presence enable us to solve complex global leadership protection problems that most insurers shy away from.

Superior Claims Handling – We employ our own experienced claims attorneys who understand our policies and obligations and offer to assist when you need it most.

Financial Stability – Because securities investigations and claims can take a long time—even years—to resolve, the long-term viability of an insurer is critical. Our financial stability and ability to pay claims rate among the best in the insurance industry, as attested by Standard & Poor's and A.M. Best Company, two of the leading insurance rating agencies.



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* The data contained in this report reflects Chubb's own internal data based on Canadian policyholder's claims experiences in Canada and the US, including the claims experiences of Canadian companies who trade on US stock exchanges. This data is based on Chubb's best efforts to monitor these matters industry-wide, but Chubb makes no representations or warranties as to the completeness of the data.

The data in this report was collected by Chubb through research on lawsuits filed in Canada.

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