

## Q1/2018: Manufacturing Edition

We take great pride in our claims handling responsibilities and over the years have built a name and a reputation for providing empathetic claims service in a fair and prompt manner.

As claims management has become increasingly complex and lines of business more diverse, we continue to be guided by our original claims principle: treat each customer the way we would like to be treated if we were to experience the same loss, with empathy, promptness, expertise, fairness and integrity.

With over 6,200 Chubb professionals worldwide and over 100 across Canada, including a bilingual team in Montreal, we have the technical and local knowledge to expertly handle any claim

Risk	Industry	Business	Amount Paid	Claim Difference
Property Damage	Manufacturing	Commercial	\$1,375,000	Expert Claims Examination
General Liability	Manufacturing	Commercial	\$25,000	In-House Legal Team
Employment Practices Liability	Manufacturing	Commercial	\$595,000	Mitigation of Defence Costs
Property Damage/ Business Income	Manufacturing	Commercial	\$2,500,000	Superior Coverage

## Claim Scenario Details

### ✔ Property Damage

Our insured produces containers for ultimate use by various food franchises. It was discovered that various containers were defective and caused food spoilage, resulting in a voluntary recall, suspending production over a 3 day period. Our insured's customer asserted a claim for all its costs, expenses and lost sales and any resultant claims that could be brought against them due to the spoilage. Immediately after being notified of the claim, Chubb commissioned an independent investigation into the production line and confirmed there was an issue with the insured's assembly line. Fortunately, the insured's customer was also a Chubb insured with previous experience of Chubb's claims handling capabilities. With liability established early on, both the insured and the insured's customer had confidence that Chubb's Casualty Examiner, an expert in recall and products liability, would be diligent at achieving the right result and the parties, who continue to do business together, could avoid a costly litigation. Our examiner worked with a forensic accountant to assess exposure. Assessment for loss of revenue, costs for storage, destruction and lab fees totaled \$1.375M CAD. This was paid directly to the

customer/claimant, avoiding costly litigation and allowing the business relationship to remain intact.

### ✔ General Liability

Our insured manufactures a sporting good product. The product malfunctioned, causing injury to the claimant. The claimant sued our insured and the sporting good store that ultimately sold the product for \$500,000 in damages, including income loss, emotional distress and damages for his spouse and children under the Family Law Act. The claimant alleged permanent nerve injury as a result of the incident. Chubb in-house counsel assumed the defence of the insured and the store pursuant to a vendor indemnity agreement between the parties. Counsel, through an exhaustive investigation and the retention of a material science expert, was able to demonstrate that the product failed due to damage by prior use. As a result, the claimant agreed to accept a settlement of \$50,000 plus costs, disbursements and OHIP reimbursement with insured contributing \$25,000 (deductible). There were no defence costs incurred as the matter was handled by Chubb's in-house team.

Rather than incur unnecessary costs through lengthy depositions, possible mediation and trial, the examiner worked with the insured to settle the matter for \$350,000 USD (\$470,000 CAD)

Chubb paid \$2.5 Million for both the Property Damage and Business Income losses.

**Employment Practices Liability (EPL) - ForeFront Portfolio**

Our Canadian insured, a manufacturer, has subsidiary operations across the United States. A former plant worker brought a claim in the United States against the Canadian parent company and the U.S subsidiary alleging harassment, wrongful termination and retaliation. The Plaintiff alleged he was ridiculed for his medical condition and that the termination was both discriminatory (age and disability) and retaliatory as he had complained about conditions at the plant. The Plaintiff sought \$1M in damages (\$250,000 for harassment and \$750,000 for retaliation). Chubb appointed specialized employment law counsel in the state where the action was commenced who set to work on a detailed investigation and liability assessment. Several factors militated in favour of an early settlement. Rather than incur unnecessary costs through lengthy depositions, possible mediation and trial, the examiner worked with the insured to settle the matter for \$350,000 USD (\$470,000 CAD), taking into account potential exposure for ongoing defence costs and some liability exposure.

**Property Damage / Business Income**

Our insured, a manufacturer, experienced a tragic workplace accident that resulted in an employee fatality and damage to equipment. The plant was immediately shut down for a week and an investigation was carried out by the provincial workers compensation board. When production resumed it gradually increased over a 6 month period to pre-loss levels. Chubb worked with the insured to calculate the business interruption exposure, which was magnified due to the following factors: (1) loss of a large account during the plant closure; (2) future earnings that had been forecasted by the insured in its move to a 7 day production schedule; and (3) necessary upgrades to all production lines (including those unaffected by the damage) due to changes to local by-laws. The coverage under the Chubb Policy provided an added level of protection. The Business Income coverage not only contemplated pre-loss production levels, but also allowed for future projected earnings. In addition, the Business Income period was not capped, thus Chubb was able to ensure that all future income loss that the insured was not able to offset was captured.

**Chubb. Insured.<sup>SM</sup>**