



Liability Limit Benchmarks
& Large Loss Profile
by Industry Sector
2020

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Chubb Bermuda



The Cyclical Nature of Insurance Markets

During the past decade, the insurance industry has faced a dramatic alteration in the landscape of loss, with both frequency and severity rising to unanticipated and previously unheard-of levels. Each weekly newscast seems to feature yet another multi-billion-dollar event. Wildfires and earthquakes in many parts of the world. Mass shootings in schools, malls, churches, concert venues. D&O class-action harassment and misconduct lawsuits propelled by the #MeToo movement. Lawsuits stemming from large-population pharmaceutical substance addiction and abuse. Auto liability-related suits involving contractor-owned vehicles. It's a list of events that often appears endless.

In the past ten years, large scale catastrophes – or “CAT events” – have seemingly become commonplace. Previously occurring as high-severity/low-frequency events, they have increasingly morphed into high-severity *and* high-frequency catastrophes. Almost without exception, these events involve multi-*billion*-dollar losses, which have naturally contributed to an industry-wide need to improve rate adequacy and heightened scrutiny of capacity deployment.

In addition to the high frequency and severity of catastrophe events, the excess liability market has been further impacted by other economic phenomena, such as:

- 1. Social Inflation** – The term, “social inflation,” can refer to the perception – or even expectation – by plaintiffs and courtroom juries that injured parties should receive inflated multi-million (or billion)-dollar settlements. Since the financial market crash of 2008, there has been a general public mistrust of big business – a distrust that has moved into the courtroom, producing increased plaintiff activity, an increasingly well-funded plaintiffs bar, and desensitization of jury awards.
- 2. The Prevalence of Nuclear (or Super-Nuclear) Verdicts** – According to the Wall Street Journal analysis of data from verdictsearch.com, in 2019, there was a 300% increase in “nuclear verdicts” compared to the prior ten years.
- 3. Continuing Increase in Loss Cost Trend** – The cost to settle a claim costs significantly more than it does in prior years due to several factors including rising inflation, medical costs, legal and investigative costs, a larger and more public universe of "deep pocket" targets, etc.

As we navigate through this challenging environment, we want to reassure our customers of the role that we can and will continue to play. We continue to offer what we have always provided: creative solutions, consistent and customized large-block capacity, powerful expertise and advocacy for mitigating losses, and data insights to facilitate decision making. In short, our promise of trusted protection and true partnership remain.



Chubb Bermuda Insurance Limited is pleased to deliver our 2020 report which includes:

- Median liability limits purchased by industry sector, over a 10 year period, based on Chubb Bermuda's 2019 year-end portfolio data
- A sampling of large losses in specific industry sectors, leading with those sectors most impacted in 2019
- Average CODA limits purchased, and examples of large losses and exposures driving the purchase of dedicated Side A limits for directors and officers



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Utilities

Companies engaged in the generation, transmission, and distribution of electricity, including transmission or distribution of gas.



Utilities Sector*

Sample Large Losses

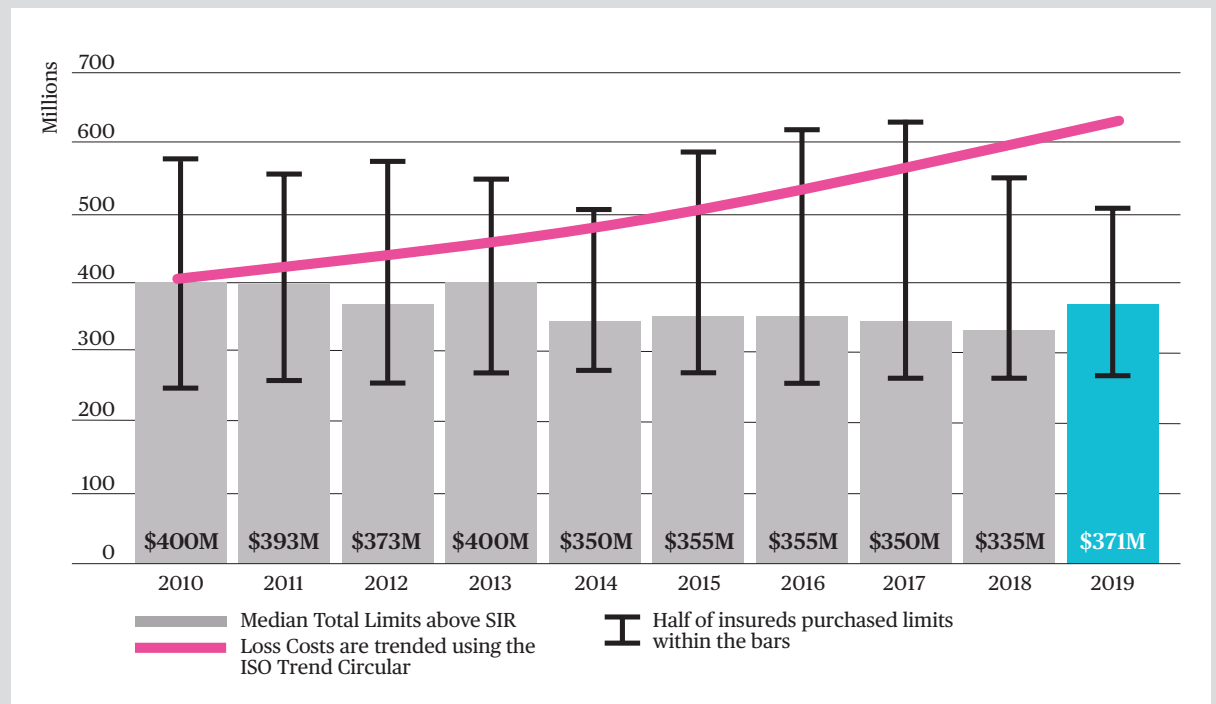
Date of Loss	Loss Details	Location	Incurred Amount
2008	Impoundment failure	USA	\$1.1B
2015	Natural gas leak resulted in alleged illness and mandatory evacuations	USA	\$1B ¹
2016 ²	Utility employee alleged negligence led to an explosion when plaintiff lit cigarette at home	USA	\$20M
2017	A loose wire on a utility pole became electrified killing one worker and causing a double amputation to another	USA	\$100M ³
2017 ²	Child electrocuted while climbing trees near power lines	USA	\$24M
2017/2018	Wildfires allegedly caused by power and distribution lines, conductors and failure of power poles	USA	\$12B-24B
2018	Alleged negligence in vegetation management when a tree falls on a child who loses a leg	USA	\$48M
2018	Gas leak and explosion kill one, injure over 25 and impact over 8,000 customers	USA	Over \$790M
2019	Three individuals injured by electric ground box shock	USA	\$25M ³

¹ Estimate

² Disposition date

³ Demand

Limits Purchased vs. Loss Costs



* Includes crude, petroleum products.

Real Estate & Hospitality

Companies engaged in the ownership, operation or management of all types of premises/occupancies, including commercial and residential buildings, hotels, and arenas/stadiums.



Real Estate & Hospitality Sector

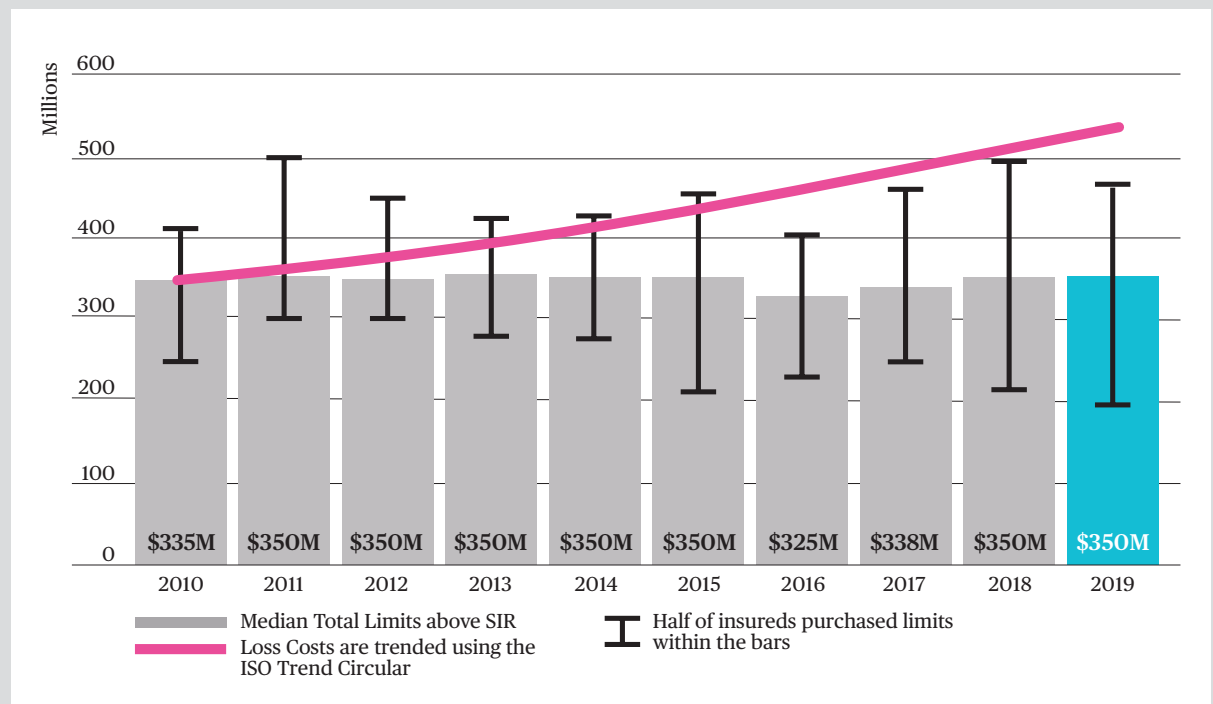
Sample Large Losses

Date of Loss	Loss Details	Location	Incurred Amount
2015 ¹	Second story apartment floor and balcony collapsed	USA	\$25M
2015	Hotel guest secretly videotaped in the shower	USA	\$100M
2015	Pedestrian shelter collapsed at the airport	USA	\$115M
2016	The construction of illegal partition walls blocked access to fire escape resulting in fatalities	USA	\$183M
2017 ¹	Hotel nightclub security alleged to have caused VIP guest traumatic brain injury	USA	\$161M ²
2018	Shooting from hotel leaves 58 dead and hundreds injured	USA	\$800M
2018 ¹	Hotel liable for failure to respond to murder in guestroom	USA	\$41M
2018 ¹	Hotel failed to intervene in ongoing domestic abuse	USA	\$42M
2019 ¹	Property association liable for bicyclist's crash into improperly place pole	USA	\$41M
2019 ¹	Apartment's substandard living condition lead to death	USA	\$125M
2019 ¹	Tour operator crash killing 5 and injuring 60	USA	\$123M

¹ Disposition date

² \$161M verdict, but later settled at a lower undisclosed amount

Limits Purchased vs. Loss Costs



Rail

Companies engaged in the transportation of passengers and/or products by rail.



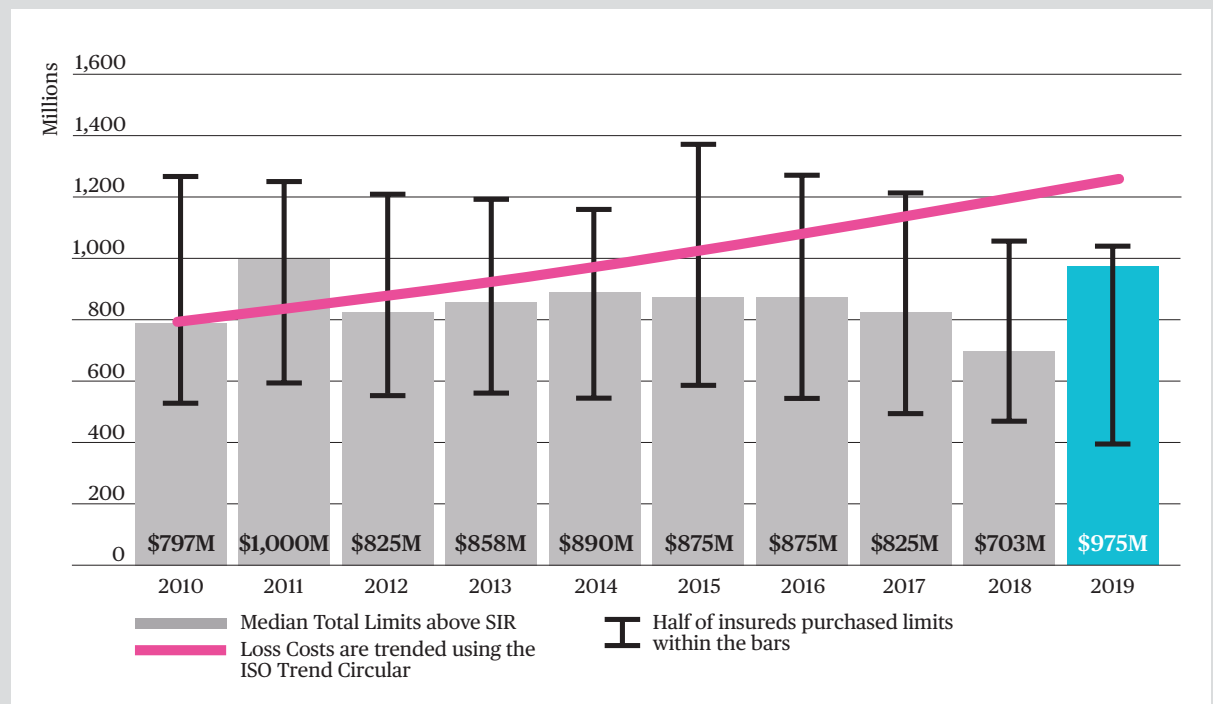
Rail Sector

Sample Large Losses

Date of Loss	Loss Details	Location	Incurred Amount
2013	Train operator alleged to have fallen asleep, and a passenger train derailed on a curve killing four and injuring around 70	USA	\$60M
2013 ¹	Train struck vehicle at railway crossing	USA	\$15M
2013	Two-train collision following derailment, injuring 65 passengers	USA	\$21.7M
2013	Train derailment resulted in multiple fatalities, injuries, and property damage	Canada	\$430M
2015	High-speed derailment kills eight and injures over 200	USA	\$265M
2016 ¹	Train strikes car at railroad crossing killing one and severely injuring four	USA	\$37.5M
2017	Train derails on newly opened route killing three and injuring about 100	USA	\$31.7M
2018 ¹	Railroad worker exposed to toxic fumes from leaking railcar	USA	\$15M
2019	Train derails into a river, killing three crew members	Canada	Pending
2019 ¹	Single vehicle crash involving a concrete barrier at a railroad crossing results in severe injuries	USA	\$17M

¹ Disposition date

Limits Purchased vs. Loss Costs



Chemical

Companies engaged in research, development, manufacturing, marketing, and distribution of petrochemicals, basic and specialty chemicals, agricultural chemicals, and chemical intermediates.



Chemical Sector

Sample Large Losses

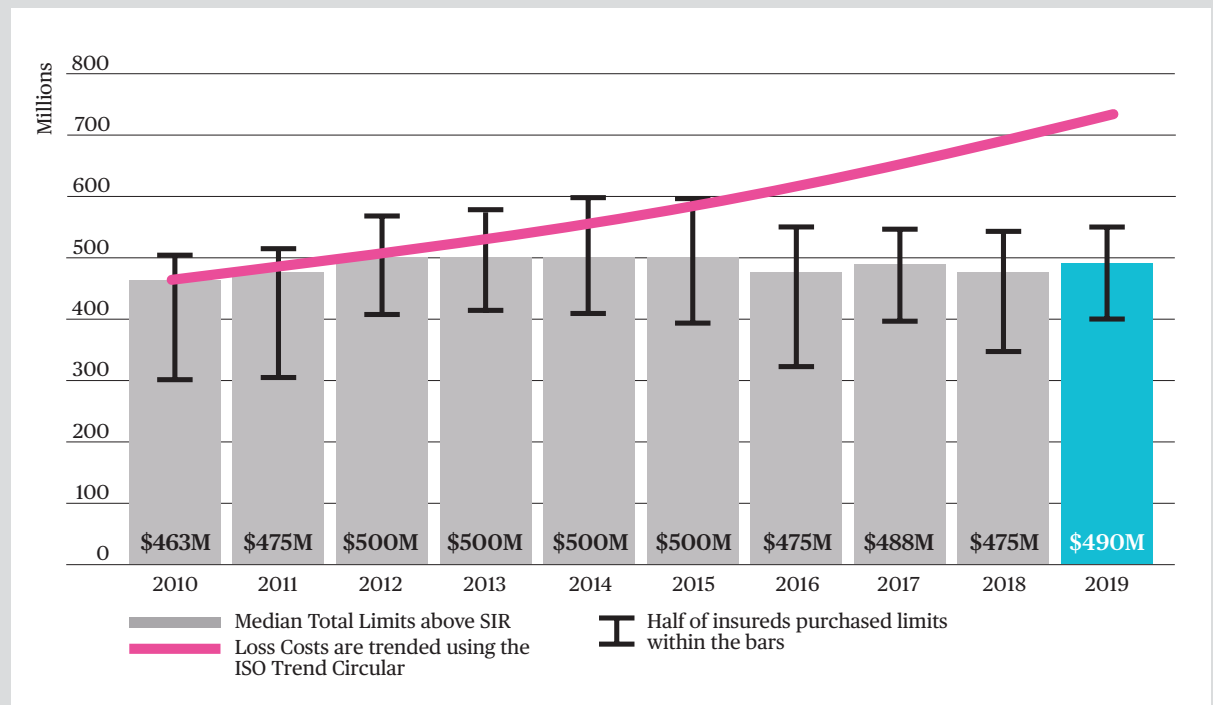
Date of Loss	Loss Details	Location	Incurred Amount
2017 ¹	Exposure to toxic chemical in drinking water alleged to cause cancer	USA	\$13M
2017	Class action lawsuit alleges medical marijuana customers were made ill by cannabis tainted with pesticides	Canada	Pending
2017	Class action settlement for personal injuries resulting from exposure to chemical	USA	\$671M
2018 ²	Toxic product to be removed from homes	USA	\$60M
2019 ¹	Wrongful death verdict for two workers exposed to toxic solvents	USA	\$21M
2019 ¹	Private citizen's lawsuit alleging illegal pollution discharge into waterways	USA	\$50M
2019 ¹	Groundwater contamination alleged from application of pesticide fumigants	USA	\$63M
Various	Potential class action from thousands of claimant allegations that an agrichemical causes personal injuries	USA	\$10B ³
2020 ¹	Crop damage resulting from third party use of herbicides	USA	\$265M

¹ Disposition date

² Date of settlement

³ Defense settlement offer

Limits Purchased vs. Loss Costs



Consumer Products

Companies engaged in manufacturing, distribution, marketing, and sale of consumable goods.



Consumer Products Sector

Sample Large Losses

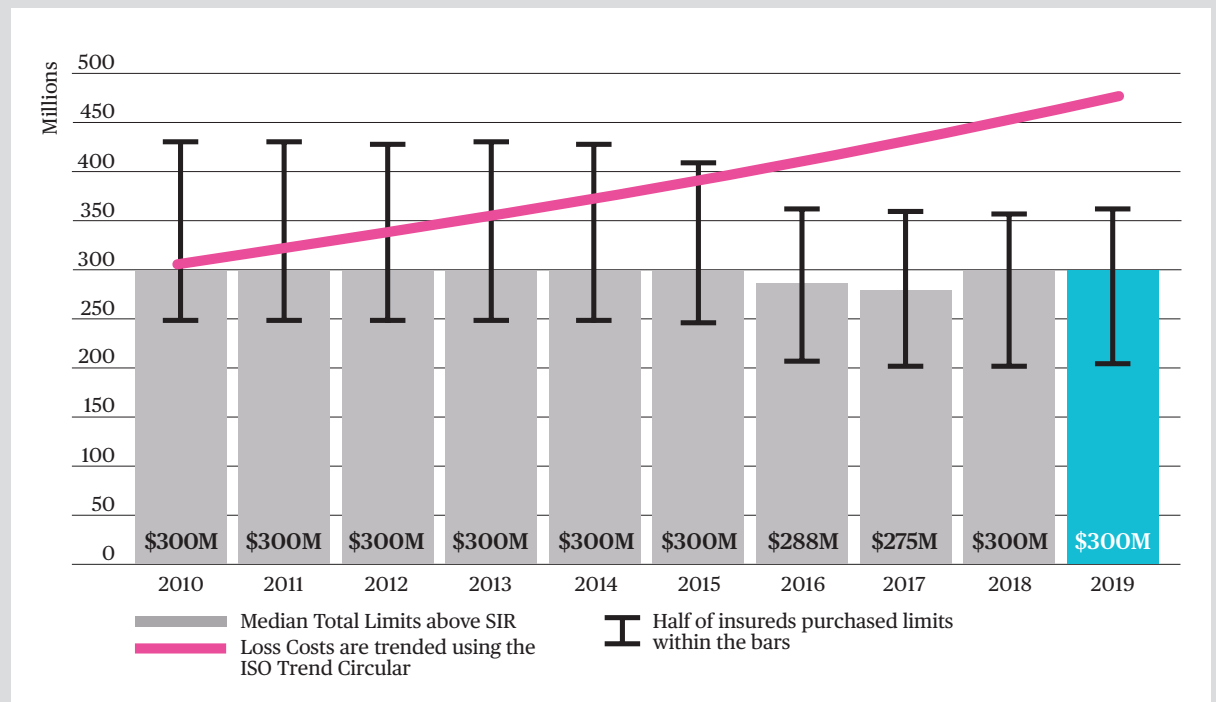
Date of Loss	Loss Details	Location	Incurred Amount
2011 ¹	Defective plumbing	USA/Canada	\$200M
2011	Defective heater started a fire	USA	\$47M
2012 ²	Footwear alleged to cause health risks	USA	\$401M
2016 ²	Alleged concussion-related injuries	USA	\$1B ³
2016 ¹	Defective infant car seat design led to spinal injury	USA	\$34M
2017	Faulty refrigerator alleged to have contributed to a deadly fire that killed 79	UK	Pending
2018 ²	Defective furniture killed three children	USA	\$50M
2018 ¹	Workers allege that defective dust makes lead to disease	USA	\$67M
2018 ¹	Faulty vehicle seat design injuries to two children	USA	\$209M
2018/2019 ⁴	Talc litigation	USA	\$5B
2019 ¹	Federally-approved seat-belt design considered defective	USA	\$37M ⁵
2020 ²	Defective furniture design leads to wrongful death single plaintiff lawsuit	USA	\$46M

¹ Disposition date
² Date of settlement

³ Estimate of class action settlement over 65 years

⁴ Date of verdicts
⁵ Single plaintiff verdict

Limits Purchased vs. Loss Costs



Food & Beverage

Food companies face a unique and complex set of risks with high competition, low margins, numerous regulations, and consumers who are ever more aware of food safety issues and concerned about the environmental impact.



Food & Beverage Sector

Sample Large Losses

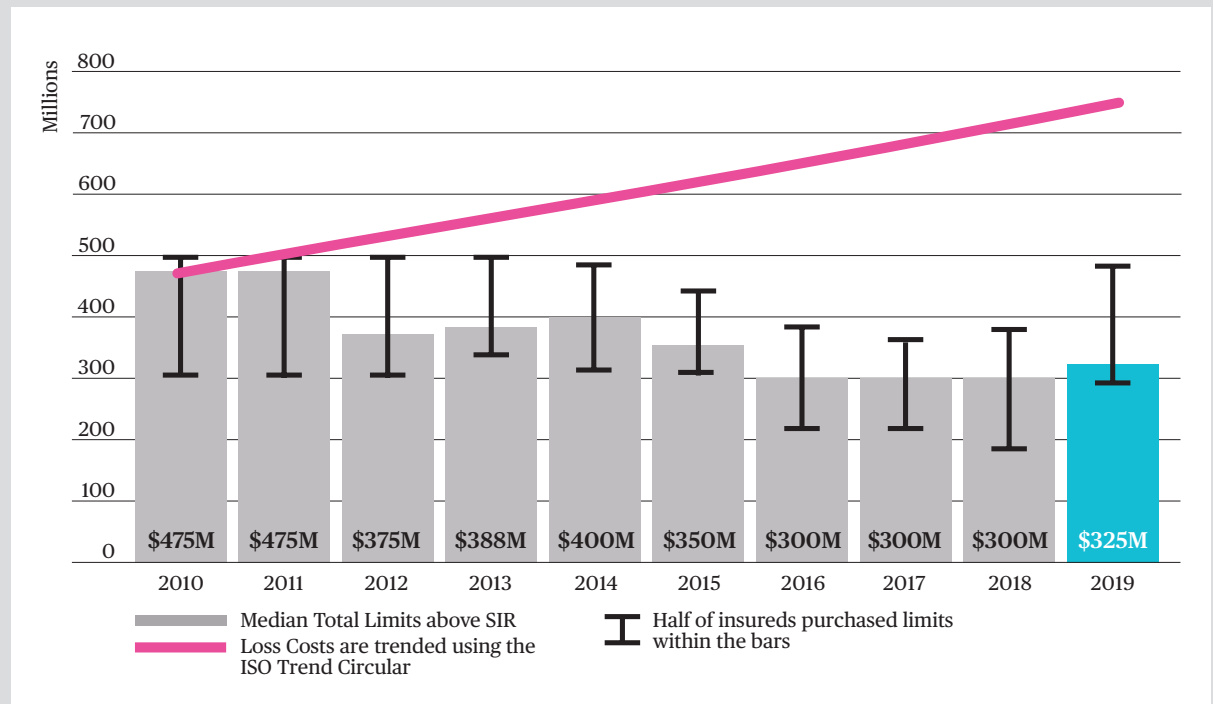
Date of Loss	Loss Details	Location	Incurred Amount
2010	Product for consumption contaminated with Salmonella	USA	\$33M
2014	Food truck explosion that killed two and injured 11 was allegedly cause by company refilling propane tanks for the food industry	USA	\$160M
2014 ¹	Restaurants alleged lack of security resulted in patron being beaten to death	USA	\$27M ²
2015 ¹	Restaurant's service of alcohol to an underage patron resulted in life-altering injury car crash	USA	\$60M
2016 ¹	Explosion at food plant killed four and injured over 60	USA	\$109M
2016 ³	Edible marijuana manufacturer and dispensary failed to warn of products potency and side effects	USA	Pending
2018 ¹	Industrial farm created a noise and odor nuisance for residents	USA	\$98M
2019 ¹	Grocery store's failure to provide adequate security led to mugging injury	USA	\$70M

¹ Disposition date

² Subsequently settled post-verdict for an undisclosed sum

³ Filing date

Limits Purchased vs. Loss Costs



Healthcare

Hospitals, teaching universities/medical schools, long-term care/assisted living facilities, Managed Care Organizations, Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs), Physician-Hospital Organizations (PHOs) and clinical trial/contract research organizations.



Healthcare Sector

Sample Large Losses

Date of Loss	Loss Details	Location	Incurred Amount
2015	Plaintiff contracted antibiotic-resistant bacteria in hospital after exposure to contaminated equipment	USA	Pending
2016 ¹	Lawsuit alleged inappropriately 20 missteps by doctors and nurses resulting in serious permanent injury	USA	\$52M
2018 ¹	Doctor's negligence resulted in severe permanent injury	USA	\$73M
2018 ¹	Botched surgery resulted in infection by a flesh-eating bacteria and amputations	USA	\$109M
2018 ¹	University physician alleged sexual abuse and harassment	USA	\$225M
2018 ¹	Clinic's negligence with a medical device resulted in wrongful death	USA	\$384M ²
2018 ¹	University sports physician sexually abused girls and women	USA	\$500M
2019 ³	Hospital liability for infant brain damage	USA	\$50M ⁴
2019 ⁴	Catastrophic infant brain injury caused during delivery	USA	\$205M ⁴

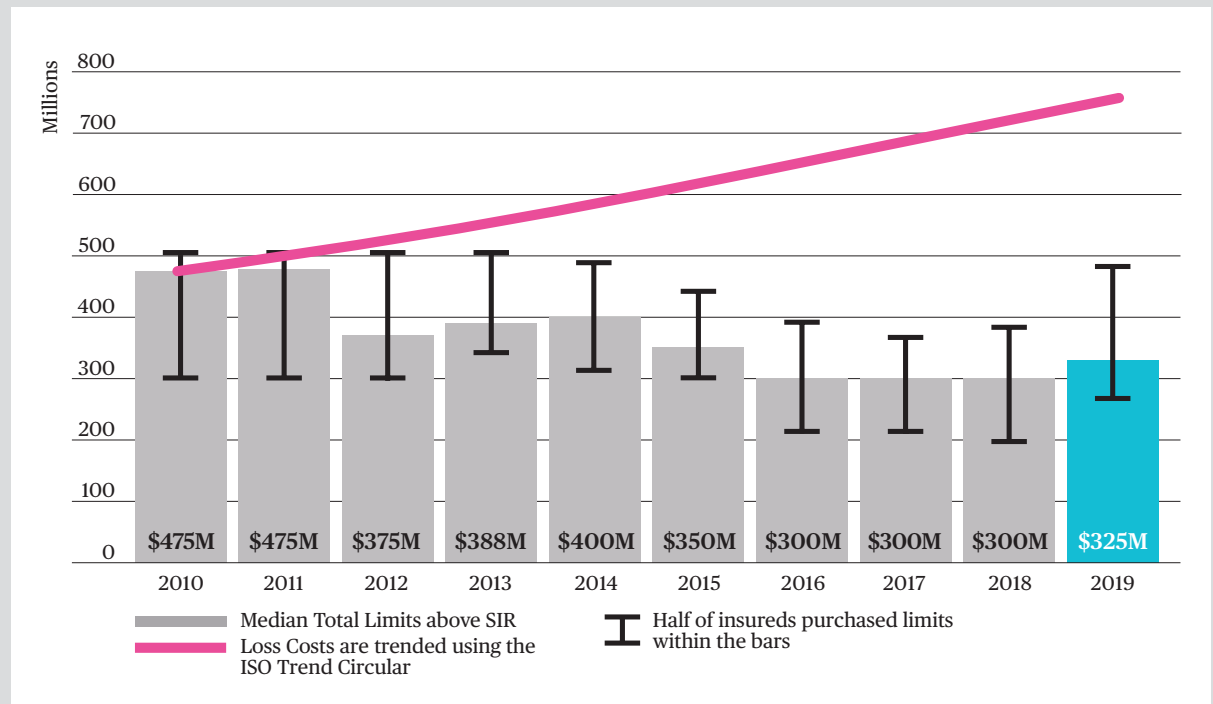
¹ Disposition date

² Verdict, later reduced to a confidential settlement

³ Date of verdict

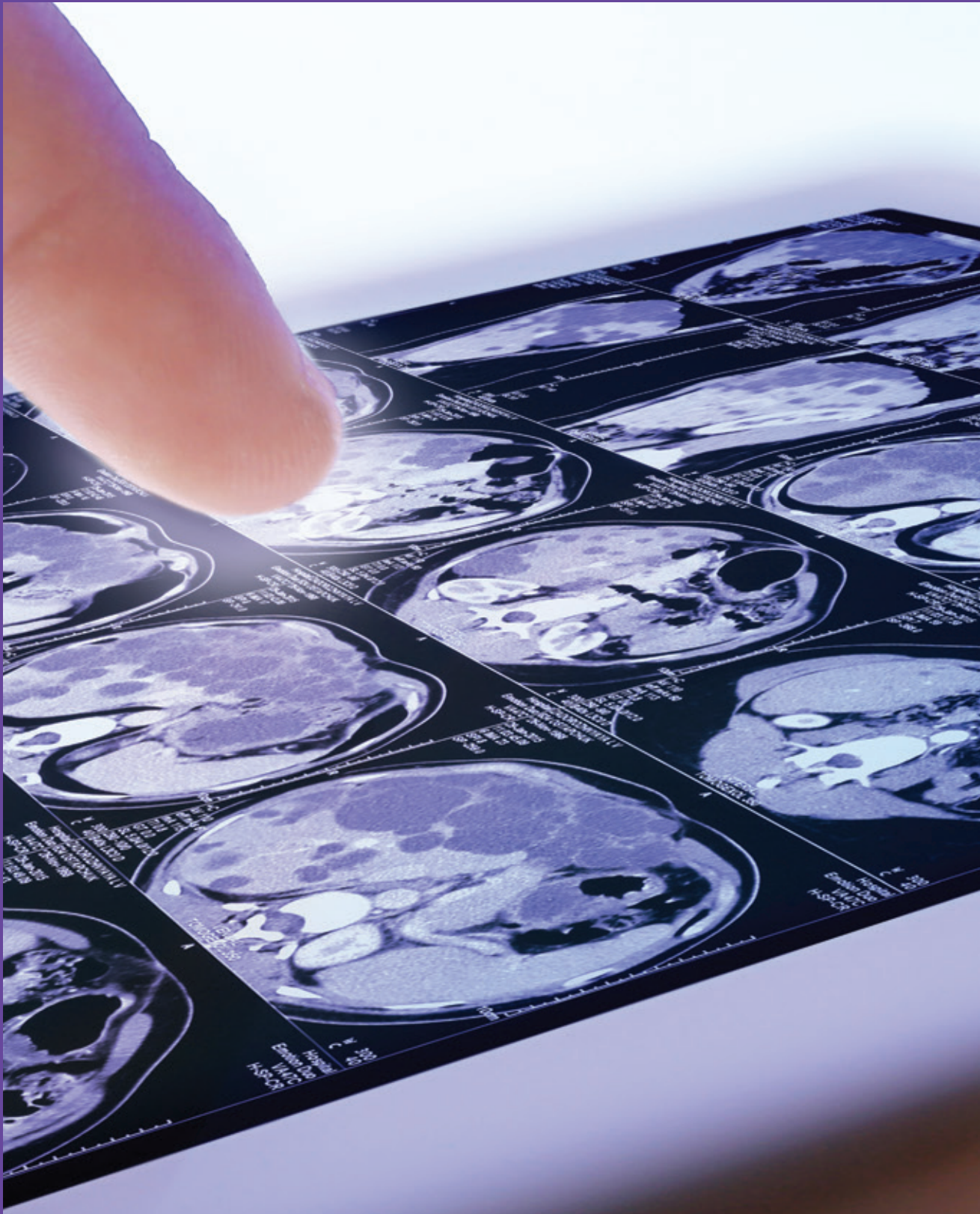
⁴ Reduced by settlement from \$101M jury verdict

Limits Purchased vs. Loss Costs



Life Sciences

Companies engaged in the research, development, manufacturing, marketing, distribution or sale of pharmaceuticals, biologics, and medical products/devices, including biomedical research/technology.



Life Sciences

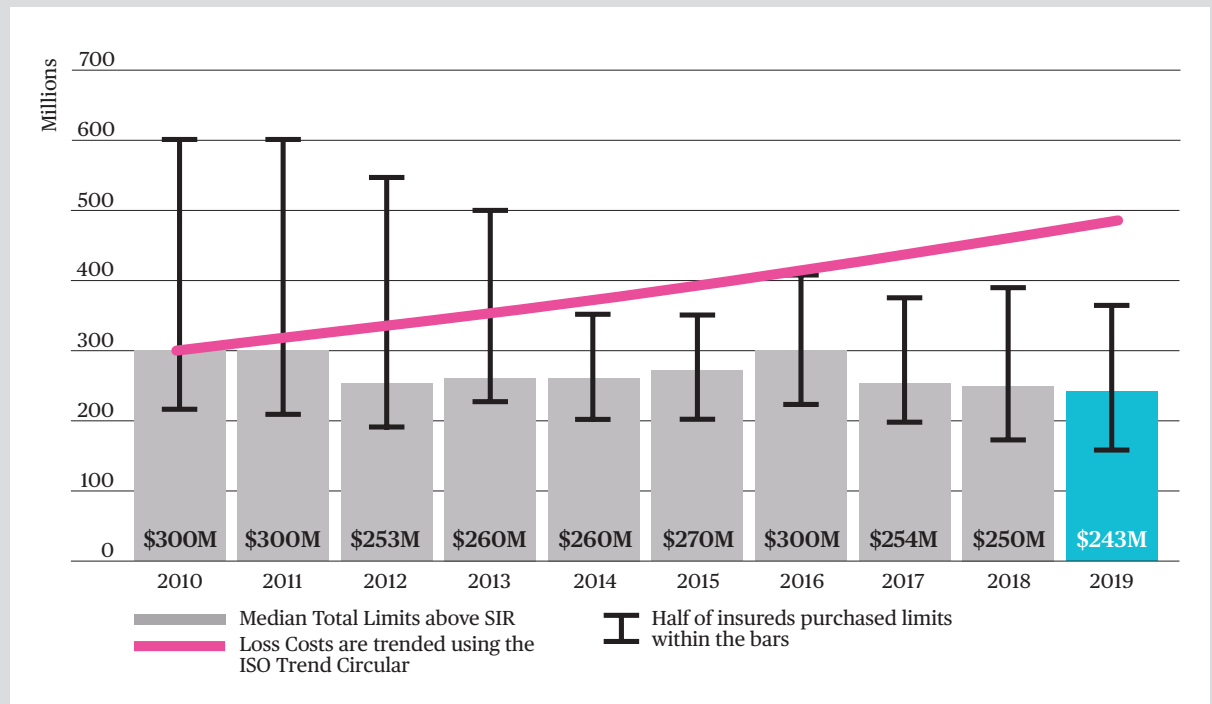
Sample Large Losses

Date of Loss	Loss Details	Location	Incurred Amount
2015	Contaminated equipment used during surgery alleged to cause severe and life-threatening infections	USA	\$215M
2016 ¹	Schizophrenia and bipolar disorder drug caused a disturbing side effect	USA	\$70M
2017 ¹	Design defects of the implanted medical device caused severe personal injuries	USA	\$57M
2017	Blood pressure drug caused gastrointestinal injuries	USA	\$300M
2019	Blood-thinning drug alleged to cause internal bleeding, stroke, and death	USA	\$775M
Various	17 patients with alleged personal injuries from defective metal-on-metal hips	USA	\$941M
Various	Opioid litigation	USA	\$48B+ ²

¹ Disposition date

² Proposed settlement

Limits Purchased vs. Loss Costs



Manufacturing

Companies engaged in the design, development, assembly, manufacturing, marketing, distribution and sale of industrial equipment, motor vehicles, and component parts used in various industries.



Manufacturing Sector

Sample Large Losses

Date of Loss	Loss Details	Location	Incurred Amount
2014 ¹	Seatbelt's defective design caused the driver to strike head during low-speed rollover	USA	\$55M
2016	Car seat defects caused injury to children during a collision	USA	\$213M
2017	Cladding alleged to fuel a building fire causing multiple fatalities	UK	Pending
2017 ¹	Car accident caused by faulty brakes	USA	\$24M
2018 ¹	Bankruptcy judge approved a fund for victims of exploding airbag inflators	USA	Up to \$137M
2018 ²	Industrial emissions from processing plant affected neighboring properties	USA	\$51M
2019 ¹	Vehicle accident caused by safety defect resulted in paralysis	USA	\$151M
2019 ²	Refinery explosion resulting from alleged manufacturing defects	USA	\$317M ³
2019 ⁴	Engine defect litigation	USA	\$758M
2020 ²	Auto suspension defect class action litigation	USA	\$57M

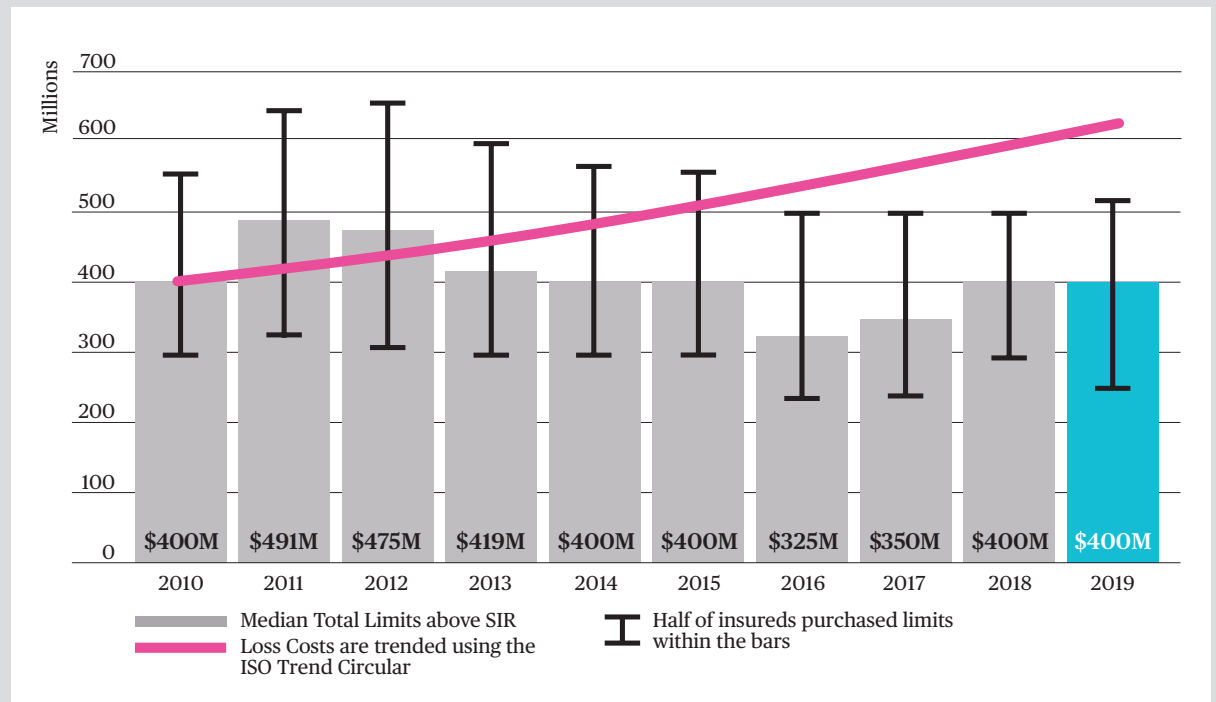
¹ Disposition date

² Date of settlement

³ Reduced to \$195M by settlement prior to jury verdict

⁴ Date of proposed settlement

Limits Purchased vs. Loss Costs



Oil & Gas

Companies engaged in the exploration, production, refining, processing, marketing, and distribution of natural gas, oil, liquids, and derived products – including contract drilling and other oilfield products and services.



Oil & Gas Sector

Sample Large Losses

Date of Loss	Loss Details	Location	Incurred Amount
2010	Operator of sub-sea well blowout with multiple fatalities	USA	\$44B ¹
2012	Sinkhole resulted in contamination	USA	\$200M+
2013	Plant explosion kills two and injures over 160	USA	\$30M
2014 ²	Contractor error in the provision of services allegedly impacting sub-sea well blowout	USA	\$1.1B
2015 ²	Workers burned in refinery explosion and fire	USA	\$159M
2015 ²	Owner of sub-sea well blowout with multiple fatalities	USA	\$211M
2016	Gas pipeline explosion kills two and injures several	USA	Pending
2017	Gas truck struck a motorcyclist causing injuries	USA	\$46M
2018	Fatal oil rig blowout kills five workers	USA	\$20M ³
2018 ²	Oil services company truck driver plowed into the back of a pickup truck	USA	\$33M
2019	Natural gas pipeline built in the 1950s exploded	USA	Pending
2019 ⁴	Coastline damage allegedly caused by oil and gas drilling	USA	\$100M

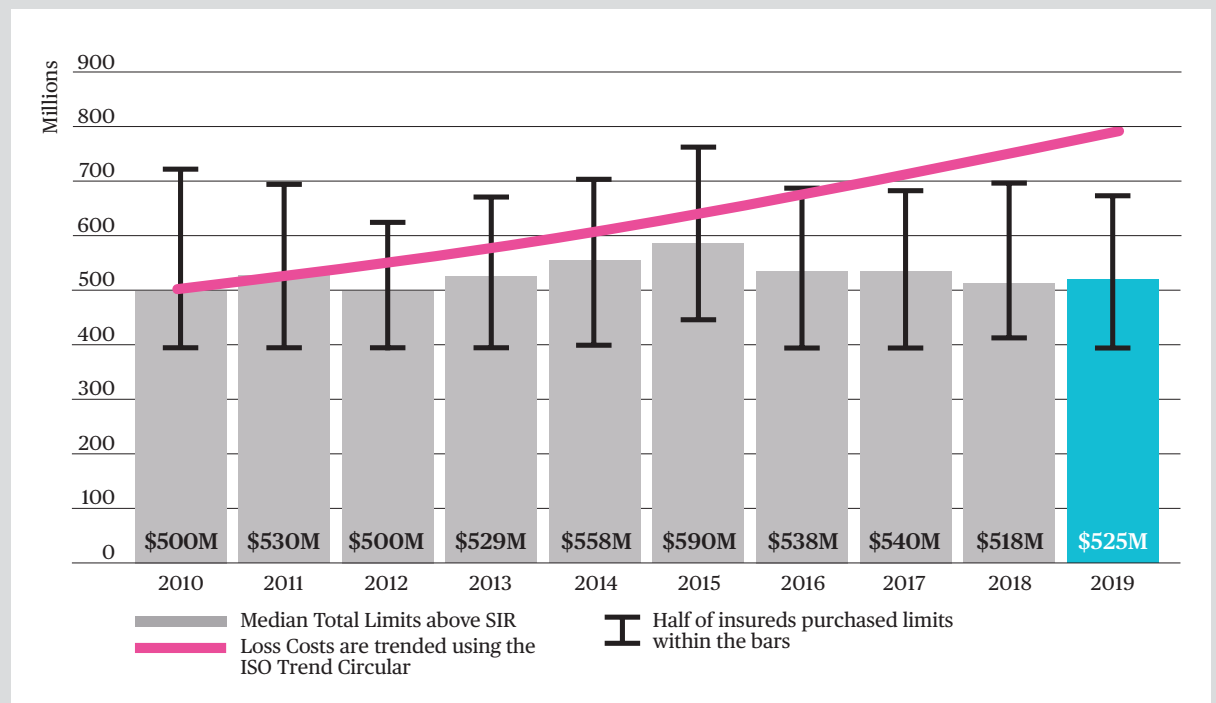
¹ 2016 after-tax update, inclusive of economic loss

² Disposition date

³ Wrongful death verdict for two of the five killed

⁴ Date of settlement

Limits Purchased vs. Loss Costs





Are You Protecting Your Directors & Officers?



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In 2019, there were 428 class action filings, breaking the previous record of 420 set in 2018.¹ Another new record was set in 2019: public companies on US stock exchanges had the highest probability of getting sued than any other time.¹ Health Care continues to be a popular target of plaintiffs, and the frequency of securities cases against companies classified as Industrials and Consumer Staples saw an increase in 2019.¹

Another significant development in 2019 was the settlements of several so-called “mega derivative actions.” Settlements in excess of \$100 million and even \$200 million suggest that Side A towers may need to respond at levels typically only seen for securities class actions. Because derivative actions are generally not indemnifiable by the company, any insurance buyer should undertake a careful analysis to determine if there is sufficient Side A cover to protect the personal assets of directors and officers.

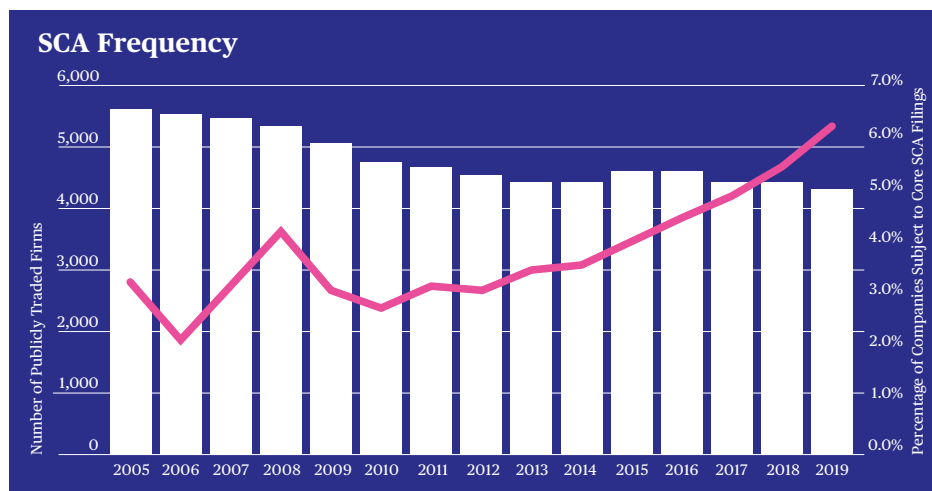
¹ <https://www.cornerstone.com/Publications/Reports/Securities-Class-Action-Filings-2019-Year-in-Review>

Data points, insights, and real-life cases of Side A policy payouts help you determine how much D&O coverage you need.



Emergent liability threats against their personal assets that directors and officers face include:

- Event-driven risks: merger objection claims
- D&O derivative risks: cyber data breach claims
- Employment practices liability risks: derivative claims, fueled by #MeToo
- SEC regulatory investigation risks: continued SEC focus on individuals



Sample Side A Payments in Shareholder Derivative Litigation Settlements

\$25 million

Communications Sector

A Side A policy paid to settle a lawsuit alleging insider trading and fraudulent accounting, while a related class-action lawsuit settled for \$400 million.

\$21 million

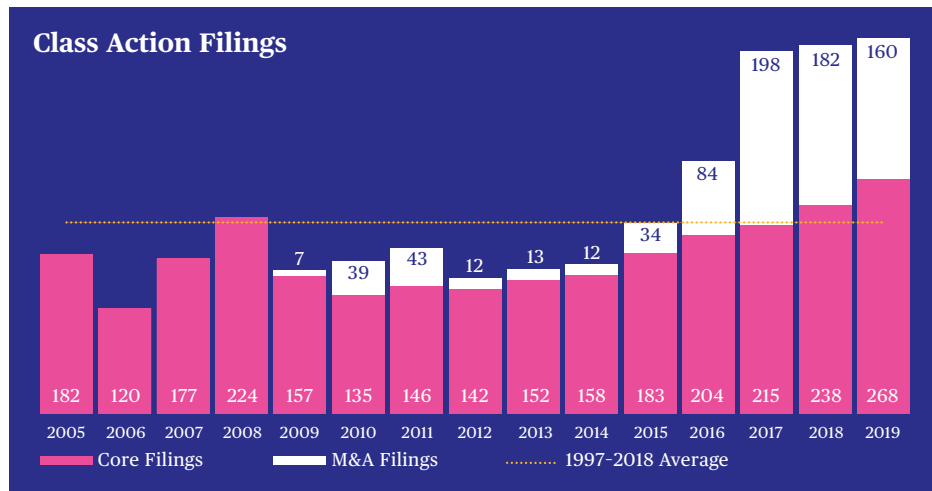
Consumer Products & Services

A Side A policy paid to settle a lawsuit alleging the company founder and chairman made unwanted sexual advances toward employees, and despite being aware of the behavior, directors did nothing to stop that pattern of sexual misconduct.

\$60 million

Energy

A Side A policy paid to settle a lawsuit alleging the directors of an automobile company breached their fiduciary duties by approving an excessively priced solar energy company purchase when that company was controlled by the automobile company's CEO and Chairman.



<https://www.cornerstone.com/Publications/Reports/Securities-Class-Action-Filings-2019-Year-in-Review.pdf>

\$240 million

Financial Services

A Side A policy paid to settle a lawsuit alleging bank directors breached their fiduciary duty by knowingly, or consciously disregarded, a widespread practice of cross-selling by bank employees.

\$60 million

Healthcare

A Side A policy paid to settle a lawsuit alleging the company's directors and officers breached their fiduciary duty by allowing an unlawful patient admissions policy resulting in artificially inflated reimbursement payments from Medicare and others.

\$175 million

Pharmaceuticals

A Side A policy paid to settle a lawsuit alleging company directors breached their fiduciary duties by allowing the illegal distribution of highly addictive opioid painkillers.

Contact Us

For additional information about Chubb Bermuda's insurance products please contact your Bermuda or non US-based broker.

www.chubb.com/bm

If you have any questions about this report or would like to provide feedback, please scan here:



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Chubb Bermuda is regulated by the Bermuda Monetary Authority. It is not licensed in the U.S. as an admitted insured nor is it an eligible excess and surplus lines insurer.

This information is intended to be illustrative of the average limits of liability being purchased by companies within particular industry sectors, and of notable large loss industry events which have given rise to liability claims. The Estimated Loss Amounts may or may not include defense costs. The Estimated Loss amounts shown for earlier years have not been trended or developed.

No inference should be drawn from the loss information that such an event or resultant liability claims would (or would not) be covered by a Chubb Policy.

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