



What Is ForeFront PortfolioSM And Why Do Small Private Businesses Need It?

Managing a private company has its risks. Every decision has the potential for an upside and a downside. Even with a skilled and experienced management team at the helm, some managers encounter unanticipated risks or threats that, due to their complexity or nature, are better off mitigated through insurance protection. Just one lawsuit or criminal scheme may be enough to send a vigorous, growing business crashing into bankruptcy.

For small to medium-sized private companies, every dollar counts. Investments and expenditures are carefully considered. The bottom line matters. The company's success and the return on investment have a direct impact on the personal wealth of its owners and employees, who are sometimes one and the same.

Given what is at stake, small privately held companies need insurance coverage for protection against a wide range of perils.

ForeFront PortfolioSM is a comprehensive insurance package from Chubb specifically designed to help privately owned companies cope with many of the most dangerous threats to their financial well-being

FRIEND OR FOE?

In today's litigious environment, no business relationship is free of risk, including dealings with:

- Employees
- Investors
- Customers
- Suppliers
- Vendors
- Competitors
- Government agencies
- Creditors

Most people don't usually associate most of these constituents with potential harm to a company or its managers, but any of them could generate litigation—and many could engage in criminal activity—that could have a negative financial impact on company's bottom line.

Private company owners need to ask, "What is your company's tolerance for risk? If something does go wrong, is our insurance protection adequate?"



Chubb Group of Insurance Companies



WHY DO SMALL COMPANIES NEED INSURANCE PROTECTION?

Why does a small private company need the insurance protection offered by ForeFront Portfolio?

THE RISK:	FOREFRONT PORTFOLIO COVERAGE SECTION:
Employees and former employees can sue a firm, its board members, and its officers for discrimination, harassment, and other illegal employment practices.	Employment Practices Liability Insurance
Investors, customers, clients, government regulators, creditors, and competitors can sue a firm's board members and officers over their actions or decisions.	Directors and Officers Liability Insurance
Retirees, former employees, and employees can sue the firm and its plan fiduciaries for alleged mismanagement in administering benefits.	Fiduciary Liability Insurance
A trusted employee can embezzle funds, steal inventory, or commit fraud over a long period of time.	Crime Insurance
Customers can sue a firm for alleged errors and omissions committed during the delivery of a professional service.	Miscellaneous Professional Liability Insurance
An employee, relative of an employee, or outsider can threaten or perpetrate harm against employees in the workplace.	Workplace Violence Expense Insurance
An employee can be kidnapped while traveling overseas, or a criminal can attempt extortion against the firm by threatening its employees or products.	Kidnap/Ransom and Extortion Insurance
An outside person or company can sue the firm for copyright infringement or defamation over content it posts on its Web site.	Internet Liability Insurance

THE EMPLOYEE'S CLAIM

A 59-year old management-level employee was terminated for poor performance. The manager filed a charge of discrimination with the Equal Employment Opportunity Commission (EEOC), alleging he was terminated because of his age. In his charge, he stated that he had always received regular merit pay increases, was replaced by a worker in his 30s, and that some members of senior management had made comments about needing "to get rid of the old guys." The manager subsequently filed a lawsuit against the company seeking two years of lost wages and benefits, as well as compensation for emotional distress.

THE COMPANY'S DEFENSE

The employer was a small privately held company with 100-200 employees and \$10-\$20 million in revenues.

According to the company, the manager was terminated for alienating employees and customers and for a lack of interest in his job, but the company checked off "other" instead of "poor performance" on the termination form as the reason for the termination.

OUTCOME

Although the company believed the allegations of discrimination were untrue, the company determined that defending against the lawsuit would be costly. The case settled out of court for more than \$250,000, while expenses totaled more than \$50,000.

SPECIAL COVERAGE OPTIONS FOR SMALL PRIVATELY HELD COMPANIES WITH LESS THAN 250 EMPLOYEES

ForeFront Portfolio's eight coverage sections are a comprehensive insurance solution designed to be flexible so they can be tailored to each customer's needs. For instance, customers can choose one, two, or any number of coverages, as well as individual limits for each coverage section, or a combined aggregate limit for their liability coverage sections. ForeFront Portfolio's flexibility also means that, as the firm grows, its insurance coverage can grow to meet its changing needs.

Furthermore, Chubb offers special coverage features available only to small private companies (those with fewer than 250 employees):

- **Option for separate \$1 million defense cost insurance for each coverage selected**—Forefront Portfolio allows insureds to purchase separate, additional limits of liability for defense costs. This option allows small companies to increase their available insurance and help protect against one of their most costly exposures—paying defense costs.
- **Short and simple application form**—We understand your business and only ask for essential information. This speeds application approval and premium quoting.
- **Additional benefits for purchasing the ForeFront Portfolio Employment Practices Liability Insurance (EPLI) coverage section:**
 - **Lower deductible for EPLI coverage (as low as \$2,000)**—The lower deductible reduces out-of-pocket costs should the company face an employment practices lawsuit.
 - **No deductible on ForeFront Portfolio Directors and Officers (D&O) Liability Insurance coverage section.**

A survey conducted by Chubb of 300 private companies found that although one-third of the small businesses purchase several important coverages, many are still woefully underprotected—a disturbing picture, given the anticipated risks.

Smaller privately held companies anticipate risks in the year ahead:

DIRECTORS AND OFFICERS LITIGATION

- 37% of executives reported that they believe it is likely their company's directors and officers will be sued by shareholders, customers, or vendors.

EMPLOYMENT PRACTICES LITIGATION

- 44% of privately held company executives expect that their company or its directors and officers will be sued by an employee or former employee.
- 50% believe an employee is likely to file a complaint with the EEOC or a state agency.

FIDUCIARY LITIGATION

- Executives at 24% of the companies said they think it likely that a retiree will sue the company, its directors and officers, and/or its benefits plan administrators and fiduciaries.

CRIME RISKS

- Executives at 60% of the companies anticipate that employees may steal company funds or equipment.
- 34% said it is likely that an employee may steal funds from a client.

KIDNAPPING AND EXTORTION RISKS

- 23% of executives believe that their firm will be the target of an extortion attempt.
- 16% of executives believe an employee will be kidnapped.

WORKPLACE VIOLENCE RISKS

- 42% of executives anticipate that an employee will be harmed in a violent incident in the workplace.

Source: *The 2004 Chubb Private Company Risk Survey*

THE CHUBB ADVANTAGE

Chubb has earned its leadership position insuring private companies as a result of our:

Financial strength—Our financial stability and ability to pay claims rate among the best in the insurance industry, as attested by Standard and Poor's and A.M. Best Company, the leading insurance rating services. In fact, three members of the Chubb Group of Insurance Companies were recognized in the January 2004 issue of *Best's Review* as being among only 15 property/casualty insurers, out of more than 3,300, that have maintained an A.M. Best rating of A+ or higher for 50 consecutive years. Agents, brokers, and prospective customers often seek out our services because our reputation in the market is well known.

Reputation for superior service and claims handling—Our reputation for expert, fair claims handling is renowned in the industry. In a 2004 Goldman Sachs survey, agents and brokers rated Chubb #1 out of 40 insurers in service quality.

Risk management expertise—Chubb believes it makes good business sense to help our customers take steps to prevent claims from occurring in the first place, so we offer extensive risk management tools and services, usually at no extra charge.

Local underwriters—Chubb's worldwide network of branch offices means local personal service and an understanding of your company's business conditions no matter where your company operates.

TAKE ACTION TODAY

Why take a chance that the company will face financial calamity as a result of an event that can be insured? For more information about the special small-company coverage features of **ForeFront Portfolio**, contact your trusted Chubb agent. Chubb is on the Internet at www.chubb.com.



Chubb Group of Insurance Companies

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For promotional purposes, Chubb refers to the member insurers of the Chubb Group of Insurance Companies underwriting coverage: Chubb Insurance Company of Europe, S.A.; Chubb Insurance Company of Australia, Limited; Chubb Indemnity Insurance Company; Chubb Insurance Company of Canada; Chubb Argentina de Seguros, S.A.; Chubb do Brasil Companhia de Seguros; Chubb de Chile Compañía de Seguros Generales, A.S.; Chubb de Colombia Compañía de Seguros, S.A.; Chubb de Mexico Compañía Afianzadora, S.A. de C.V.; Chubb National Insurance Company; Federal Insurance Company; Great Northern Insurance Company; Northwestern Pacific Indemnity Company; Pacific Indemnity Company; Vigilant Insurance Company; Executive Risk Indemnity Inc.; Executive Risk Specialty Insurance Company; and Quadrant Indemnity Company. Not all insurers do business in all jurisdictions.

This literature is descriptive only. Actual coverage is subject to the language of the policies as issued.

Loss scenarios are based on actual cases, composites of actual cases, or hypothetical situations. Whether or not or to what extent a particular loss is covered depends on the facts and circumstances of the loss and the terms, conditions, and endorsements of the policy as issued. It is impossible to state in the abstract whether the policy would necessarily provide coverage in any given situation. Consult your agent, broker, or other expert.