



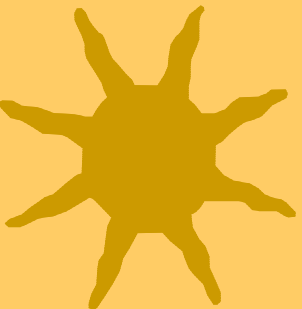
Are You Sure You're Insured?



Theodore M. Pappas

President

The McLaughlin Company





Overview



★ Types and needs of insurance

★ Due diligence

- Agent/insurance company

★ Pitfalls

- Terms, conditions, solvency
- Contractual liability
- Conflicts of interest
- Claim reporting



★ Setting coverage limits

★ Decision Tree

★ Evaluation of professionals

★ What to expect



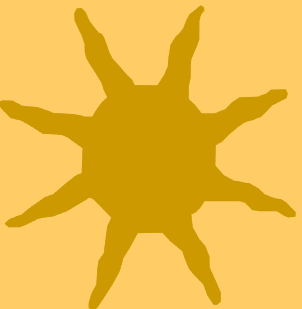


Required Insurance (by statute)



★ ERISA Bonding

★ Workers Compensation
(if you have an employee)





“Must Have” Insurance



★ General liability

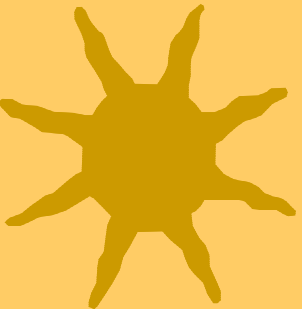
★ Automobile



★ Fiduciary

★ Association liability (JATC)

★ Professional liability (JATC)



★ Publishers liability (JATC)

★ Excess umbrella liability

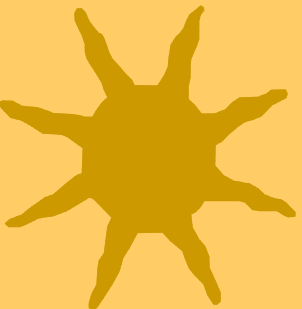


“Should Have” Insurance



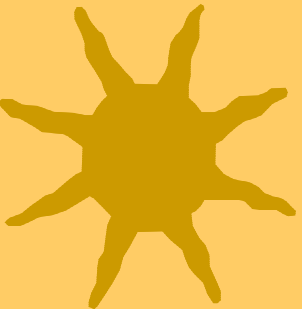
★ Property insurance

★ Employment practices liability



★ Participant accident coverage (JATC)

★ Equipment coverage (JATC)



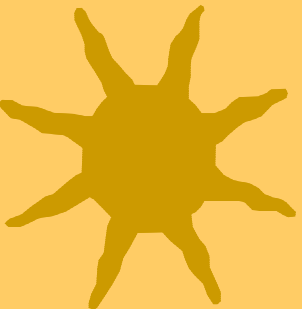
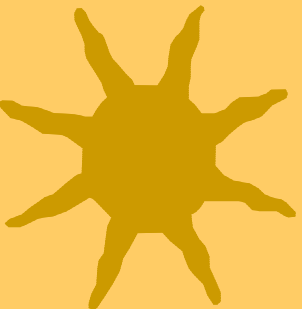
★ Energy insurance (building)



“OK to Have”

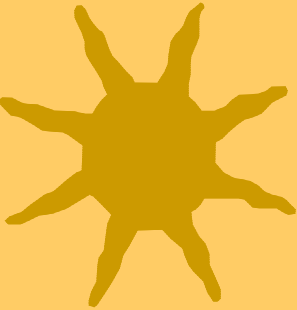


★ Travel Accident on Trustees and Employees





Due Diligence



★ Agent/Broker

- Experience/commitment
- Staff
- Errors and omissions insurance
- Conflicts of interest





Due Diligence



★ Insurance Company

- Financial Rating (Is it enough?)
- Bond Ratings (Would you buy their bonds?)
- Staff
- History of Timely Processing of Claims





Due Diligence



★ Financial security

- Increased carrier downgrades and insolvency
- Guaranty funds no guarantee
- Due diligence: know debt & financial strength rating
- Avoid junk insurance





Guaranty Funds



- ★ Majority of states have per claim limit of \$300,000
- ★ Nearly half of state guaranty funds do not provide coverage for insureds with net worth over \$50 million
- ★ Most states have the right to recoup payments from insureds meeting certain net worth thresholds
- ★ Guaranty funds not triggered in most states until liquidation is ordered by the courts



Pitfalls

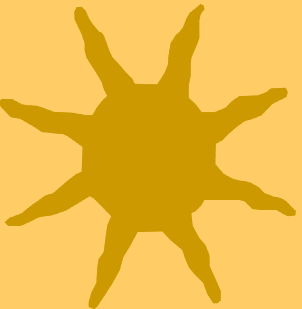


★ Five requirements to have an insured claim.

- The insurance must be in effect at the time of the claim (*claims made* policy) time of the loss (*occurrence* policy)
- The allegation must trigger coverage.
- The loss must occur in the coverage territory.
- The loss must not be excluded by the policy.
- The entity being asked to pay must be an insured under the policy.



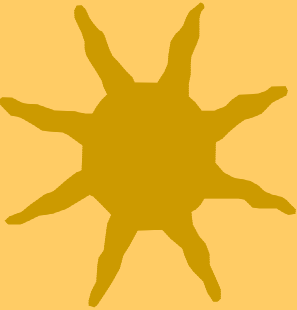
Pitfalls



- ★ The definition of insured varies from policy to policy.

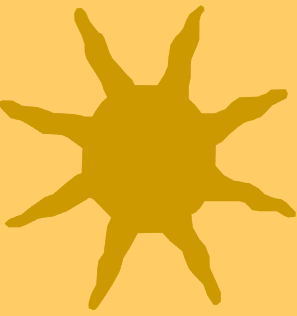


Definitions of Insured



★ General liability

Named insured, officers, directors, stockholders, real estate managers, new acquired corporations, (sometimes employees)



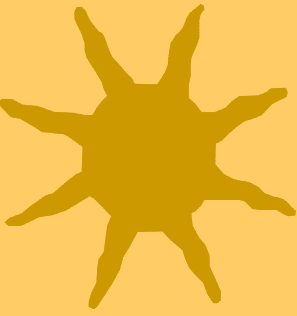
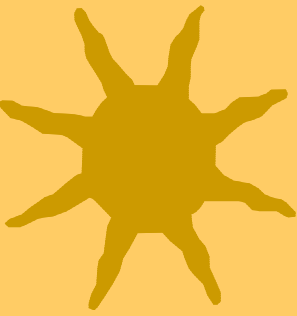


Definitions of Insured



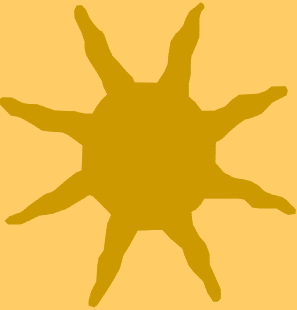
★ Automobile

Named insured, others using covered autos with permission (except: owner of auto, employee using own auto)





Definitions of Insured



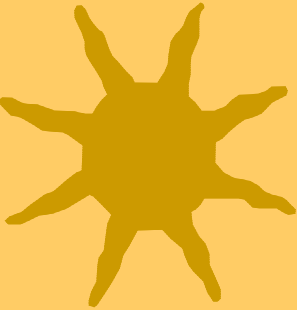
★ **Fiduciary**

Employee benefit plan(s), trustees, employees of the plan (in some cases the administrator may be insured.)



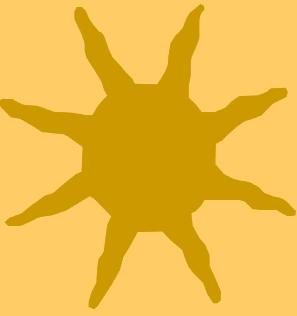
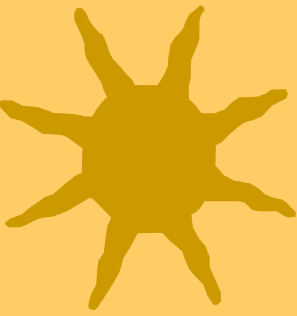


Definitions of Insured



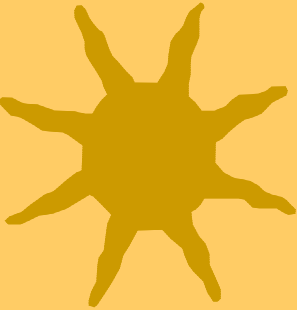
★ **ERISA Bond**

Trustees, fiduciaries, employees of the plan (in some cases the administrator may be insured.)





Pitfalls



★ Terms

- ERISA Bond

- Agents' Rider
- Amount of Coverage (per person v. per loss)
- Discovery Period
- Prior Dishonesty
- Payover Rider





THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

INCLUDE DESIGNATED AGENTS AS EMPLOYEES



1. The Definition of "Employee" is amended to include each natural person, partnership or corporation you appoint in writing to act as your agent in the capacity shown in the Schedule while acting on your behalf or while in possession of covered property. These natural persons, partnerships or corporations are not covered for faithful performance of duty, even in the event that this insurance may have been amended by endorsement to provide such coverage on other "employees". Only coverage for "theft" applies to the agents scheduled above.

2. Each such agent and the partners, officers and employees of that agent are considered to be, collectively, one "employee" for the purposes of this insurance. However, the Cancellation As To Any Employee Condition applies individually to each of them.

3. The most we will pay under this insurance for loss caused by an agent included as an "employee" by this endorsement is the Limit of Insurance shown in the Schedule. That Limit of Insurance is part of, not in addition to, the Limit of Insurance shown in the Declarations as applicable to the Employee Theft Insuring Agreement.



Pitfalls



★ Contractual liability



“Fund will indemnify and hold harmless (*retail pharmacy network*) from and against any Costs for Claims which may be asserted against, imposed upon or incurred by (*retail pharmacy network*) and arising as a result of Fund’s (1) negligent acts or omissions or willful misconduct, (2) **benefit plan design and coverage decisions**, (3) breach of this Agreement (4) **from any disclosure of Protected Health Information**.”





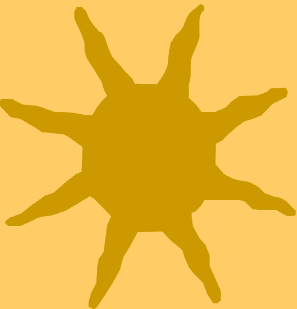
Pitfalls

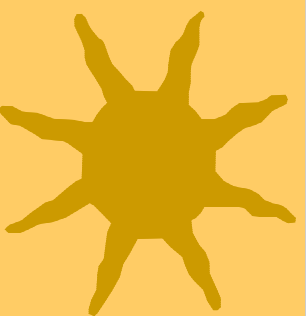
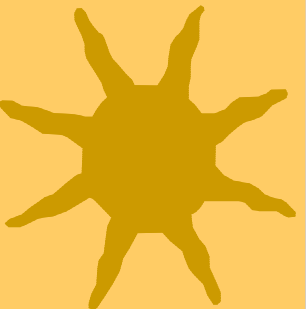
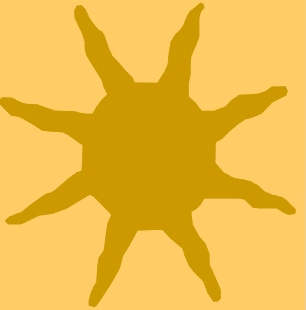


★ Conflicts of Interest



- Do you have professionals performing more than one task?
- Accounting – Legal – Actuarial - Insurance
- Investments – QPAM





SOLUTIONS

Creative Risk Management
The McLaughlin Company

**ARE YOUR CONSULTANTS AND ADVISORS WEARING
MULTIPLE HATS?**

Lest They Doubt Our Sincerity

By Webb Hubbell



Pitfalls



★ Late claim reporting.



A person should be designated to handle any incoming claim or suit. When that person is vacationing or ill, make sure there is a backup - someone who reviews incoming mail and who has authority to handle lawsuits in the absence of the person who normally shoulders that task.



Claims, unlike fine wines, do not improve with age.



Claim Reporting Requirements



★ General liability.

- As soon as practicable.
- How, when, where loss occurred.
- Names and addresses of insured and witnesses.



★ Automobile.

- Prompt notice of the accident or loss.
- Insured must report how, when, where accident occurred.



★ Fiduciary liability.

- **Written notice** during the policy period or the extended reporting period, if elected, of any claim how, when, where loss occurred.
- Insured shall give the company such information and cooperation as it may reasonably require.

★ ERISA bond.

- As soon as practicable.
- Detailed sworn proof of loss within 120 days.



Limits of Insurance – How Much?



If Larry jumped off a bridge, would you jump off a bridge too?

-Your Mom



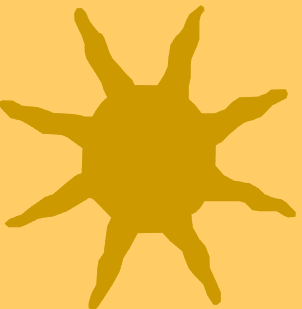


Decision Tree



Four Step Process

- ★ Claims paying ability?
- ★ Terms and conditions
- ★ Services – Who provides?
- ★ Ultimate net cost? Not just premium





Evaluation of Professionals



★ What do they do?

- Agent/Broker
- Consultant
- Risk Manager





Evaluation of Professionals



★ How are they compensated?



★ How are they licensed?



★ Errors and Omissions



What to Expect

- ★ Copies of the professional's
 - Fidelity Coverage
 - Professional Liability Policy

Are the limits adequate?

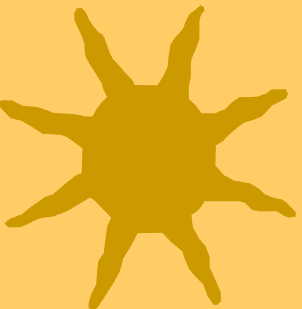




What to Expect



- ★ Time frame for delivery of insurance services



This is negotiable. It is your responsibility to meet the professional's requirements





What to Expect



- ★ Time frame for delivery of insurance services
 - Insured needs 30 days to negotiate
 - Insurance company needs 30 days to underwrite
 - Insured needs to complete application 75 days prior to effective date
 - Agent/broker needs to request applications and information 90-100 days prior to effective date
 - Policy delivery 15 – 60 days after effective date
 - 5 to 6 month process



Your Professional Should Answer these Questions – In Writing



★ Do you know our operations?

★ What coverages do we need?



★ What coverages do you recommend?

★ What deficiencies do we have that cannot or have not been met with insurance?



★ Have there been any material changes in our insurance program since last year?



What do Underwriters Look for?



★ Quality management

★ Independent board



★ Ethical corporate culture

★ Consistent performance

★ Strong market position





What do Underwriters Look for?



★ Financial flexibility

★ Sound disclosure



★ Financial management

★ Robust internal controls

★ Enterprise resilience

