

# Executive Liability Proposal

Prepared For:

Palisair Homeowners Association

Presented by

Ryan Wunderlich, CIC, CRM

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# Service Team

Our ability to provide superior service starts with quality people.

The key individuals assisting you with your account are:

Primary Service Team
<b>Ryan D. Wunderlich</b> , Ryan.Wunderlich@hubinternational.com
<b>Ellie Liu</b> , Ellie.Liu@hubinternational.com
Vice President
<b>Ryan D. Wunderlich, CIC, CRM</b> Ryan.Wunderlich@hubinternational.com (P) 310-568-5913
Account Manager
<b>Ellie Liu, CIC, CISR</b> Ellie.Liu@hubinternational.com (P) 310-568-7629 (F) 310-425-3221
Certificates of Insurance
cal.kai.certrequest@hubinternational.com
Property & Casualty Claims Executive
<b>Cam Jones</b> Cam.Jones@hubinternational.com (P) 310-568-7607 (F) 310-733-5619

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# Information Summary

**First Named Insured:** Palisair Homeowners Association

*The First Named Insured will be the insured that is:*

- A. *Responsible for payment of premium.*
- B. *Authorized to make changes in policy with approval of insurance company.*
- C. *Authorized to cancel the policy.*
- D. *Designated to receive notice of cancellation.*

**Mailing Address:** P.O. Box 901  
16050 Anoka Drive  
Pacific Palisades, CA 90272

Coverage Becomes Effective 12:01 A.M. Standard Time at your mailing address.

**Effective Date:** **7/31/2016**

**DISCLAIMER:** This document contains only a summary of your insurance coverage. It is your responsibility to carefully and completely review the actual policies for actual terms, limits and conditions. In the event of any inconsistency between the terms of the policies and the provisions of this document, the terms of the policies will govern and control.

# Directors & Officers/Employment Practices Liability

Carrier: Certain Underwriters at Lloyd's  
Policy Term: 07/31/2016 to 07/31/2017

## Coverage

**Claims Basis:** Claims Made

Limits of Liability (Includes Costs of Defense)	Shared Limit	Aggregate Limit
Aggregate Limit for all Loss under all Coverages combined		\$1,000,000
Limit for all Loss for all Claims other than Employment Practices Claims	\$1,000,000	
Limit for all Loss for all Claims for Employment Practices Wrongful Acts	\$1,000,000	
Limit for all Loss for all Claims for Third Party Discrimination	\$1,000,000	

Retention (Applies to Costs of Defense)	
Coverage Part	Retention
Each Claim	\$15,000
Each Claim alleging an Employment Practices Wrongful Act	\$25,000
Each Claim alleging Third Party Discrimination	\$25,000

Discovery Period	
Term	Additional Premium
12 Months	100%

Prior and Pending Litigation Date	
Coverage Part	Date
Employment Practices Claims:	June 02, 2010
All other Claims	June 02, 2010

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## Endorsements

ANV PV 0001	ANV Private Company Management Liability Insurance Policy
ANV PL 0028	Cap On Losses From Certified Acts of Terrorism
ANV PL 0102	U.S. Treasury Department OFAC Advisory Notice
ANV NP 0098	Specific Litigation, Event Or Situation Exclusion
	1. Baumbhatt, et al
	2. Gerald & Kristen Del Colliano
	3. All claims as listed on the loss runs
	4. Any Claim alleging, arising out of, based upon, relating to, or attributable to the attempted or actual foreclosure on any association member's property
ANV PL 0135	Employment Practices Claims-Duty To Defend
ANV CA 0101	Amended Service Of Suit Clause - California
ANV CA 0100	California Policyholders Notice

# Premium Summary

Description Of Coverage	Expiring Premium	Renewal Premium
Directors & Officers Liability	\$ 14,024.00	\$ 14,335.00
Employment Practices Liability	Included in Above	Included in Above
Surplus Lines Taxes and Fees	\$ 1,198.77	\$ 1,208.74
Total Estimated Annual Premium*	<b>\$ 15,222.77</b>	<b>\$ 15,543.72</b>

\*All quoted premiums are annual estimates and may change due to year end audits or mid-term policy changes.

## Payment Plan:

- Payment in Full or Premium Finance available

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# Confirmation to Bind

## Confirmation to Bind Agreement

I, (Palisair Homeowners Association), acknowledge that we have reviewed the enclosed proposal and confirm HUB's acknowledgment to bind the programs described within, except:

Accepted by: \_\_\_\_\_ Date: \_\_\_\_\_

Name & Title

\_\_\_\_\_ As Proposed

\_\_\_\_\_ Changes as Follows

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# Electronic Documents

## Consent to Receive Electronic Documents

Palisair Homeowners Association ("Client") hereby consents and agrees to receive electronic documents related to insurance coverage procured or quoted by, or Client's business relationship with, HUB International Insurance Services Inc. ("Hub"). In addition to traditional manners of delivery, Hub may transmit documents to Client through electronic means, such as electronic mail and facsimile. The documents that may be transmitted electronically include, but are not limited to, the following: insurance policies; policy information pages; coverage forms; endorsements; applications; binders; certificates and evidence of insurance; invoices; premium finance agreements; audit statements; loss control reports; claim reports; correspondences; notices of cancellation and non-renewal; and policies related to the operation of Hub's business.

Please provide e-mail address of proper recipient below.

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       I approve of receiving policies and other documentation, when available, via electronic mail.

Please Initial.



Please consider the ENVIRONMENT

# Carrier Rating

**A.M. Best Company** is the leading provider of ratings, news and financial data for the insurance industry worldwide. Their Best Financial strength rating is an independent opinion of the insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. The rating is based on a comprehensive and qualitative evaluation of a company's balance sheet, strength, operating performance and business profile.

As professional agents it has long been our established policy to make every effort to deal only with companies having a Best's Rating of A++, A+, A or A-, which are the four highest ratings available, and a minimum of \$50 million in Policyholders' Surplus. **It must be noted that neither HUB International nor any affiliated company guarantees the financial solvency of any insurance carrier.** The following list outlines the A. M. Best Company rating scale and associated descriptions.

**Financial Strength Ratings:** An A.M. Best's Financial Strength Rating is an opinion of an insurer's ability to meet its obligation to policyholders.

<b>A.M. Best Rating</b>			
A++, A+	Superior	C, C-	Weak
A, A-	Excellent	D	Poor
B++, B+	Very Good	E	Under Regulatory Supervision
B, B-	Good	F	In Liquidation
C++, C+	Marginal		

**Financial Size Categories:** A.M. Best assigns each letter rated insurance company a Financial Size Category. This is designed to provide a convenient indicator of the size of a company in terms of its statutory surplus and related accounts.

<b>Financial Size Categories (In millions of U.S. dollars)</b>			
Class I	Up to 1	Class IX	250 to 500
Class II	1 to 2	Class X	500 to 750
Class III	2 to 5	Class XI	750 to 1,000
Class IV	5 to 10	Class XII	1,000 to 1,250
Class V	10 to 25	Class XIII	1,250 to 1,500
Class VI	25 to 50	Class XIV	1,500 to 2,000
Class VII	50 to 100	Class XV	Greater than 2,000
Class VIII	100 to 250		

# General Statement

## COVERAGE AND LIMITS

This exhibit describes coverage, amounts, limits, etc., but it does not take the place of the actual insurance policies. While we have made every effort to remove inaccuracies from this report, some may exist. For definitive coverage provisions and exclusions, refer to the policies, endorsements and amendments.

For property quotes, we have used values that you provided. Please carefully examine these values and/or secure an outside appraisal to ensure their accuracy and adequacy.

This proposal is based upon exposures to loss that currently exist and were made known to the agency. All changes and new exposures need to be reported by you, so that proper coverage may be offered.

Higher limits of liability may be available for additional premium.

## INSURER SOLVENCY

Hub International is not technically qualified to comment on the solvency or claims-paying ability of any insurer. In an effort to help you assess the quality of the carrier(s), we have provided rating information from the A.M. Best rating organization. A more detailed report is available on request.

We caution you that catastrophic occurrences or other business matters can quickly have a negative impact on any insurer's financial condition. State "guarantee" funds created for the protection of policyholders may limit or preclude access to reimbursement for certain types of claims and/or to companies with significant net worth.

## NON-ADMITTED INSURER

If a non-admitted insurer is providing coverage there is no protection by the state guaranty fund in the event of the insurer's insolvency.

## PREMIUM PAYMENT

Regardless of the payment method you choose, it is important to note that ***carriers are not obligated to reinstate cancelled policies.***

**Agency Bill Items:** If your premium is billed by Hub International, payment is due on the effective date of the coverage or installment. Endorsement and audit premium adjustments are due on the date billed. Failure to promptly remit may result in cancellation of your coverage.

**Company Bill Items:** If your policy is a "company bill" contract, you must remit your payment directly to the insurance company on a timely basis. Unfortunately, insurers do not always notify us about the status of a "company bill" payment, so you can't rely on us to remind you about overdue premiums or policy cancellations. If you encounter any billing problem or have a billing concern, please call us immediately, so that we can investigate for you.

**Premium Financing:** You may ask us to "finance" your premium through an independent finance company. This is an unforgiving payment system. Please carefully review the finance agreement for full details on the late payment and finance charges that apply. Your insurance policy is collateral for the loan. If you miss a payment, coverage will be cancelled. Because we may not always receive late notices, Hub International cannot accept responsibility for following up on late payments or threatened "non-payment" cancellations. Please do not count on us to remind you to make the payment.

**THIS PROPOSAL CONTAINS ONLY A SUMMARY OF YOUR INSURANCE COVERAGE AND POLICY. IT IS YOUR RESPONSIBILITY TO CAREFULLY AND COMPLETELY REVIEW THE ENTIRE POLICY FOR ITS ACTUAL TERMS, LIMITS AND CONDITIONS. IN THE EVENT OF ANY INCONSISTENCY BETWEEN THE TERMS OF THE POLICY AND THE PROVISIONS OF THIS PROPOSAL, THE TERMS OF THE POLICY WILL GOVERN AND CONTROL.**

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# How We Get Paid

HUB International takes pride in the services our brokerages provide to you, our client, for insurance and risk management programs. For our efforts we are compensated in a variety of ways, primarily in the form of commissions and contingency amounts paid by insurance companies and, in some cases, fees paid by clients or third parties. The means by which we are compensated are described below.

**Commission income** - Commission, normally calculated as a percentage of the premium paid to the insurer for the specific policy, is paid to us by the insurer to distribute and service your insurance policy. Our commission is included in the premium paid by you. The individuals at HUB International who place and service your insurance may be paid compensation that varies directly with the commissions we receive.

**Contingency income** - We also receive income through contingency arrangements with most insurers. They are called "contingent" because to qualify for payment we normally need to meet certain criteria, usually measured on an annual basis. Contingency arrangements vary, but payment under these agreements is normally the result of growing the business by attracting new customers, helping the insurance company gather and assess underwriting information and/or working to renew the policies of existing insureds. There is currently no meaningful method to determine the exact impact that any particular insurance policy has on contingency arrangements. However, brokers tend to receive higher contingency payments when they grow their business and retain clients through better service. In other words, the amount of earned contingency income depends on the overall size and/or profitability of all of a group of accounts, as opposed to the placement or profitability of any particular insurance policy. For this reason, the individuals involved in placing or servicing insurance are rarely, if ever, compensated directly for the contingent income that we receive.

**Supplemental Commissions** - Some insurance companies have recently replaced contingent commissions with supplemental commissions. These commissions, in fixed amounts, are established annually in advance based on historical performance measured by criteria comparable to those by which contingent commissions are calculated. We refer to these commissions as guaranteed supplemental commissions, or "GSCs".

**Fees paid by clients** - On occasion, with more complex business insurance programs and where additional resources, products or services are appropriate, a fee may be negotiated for placement of insurance coverage or additional services. Fees charged for the placement of insurance will be outlined in a proposal and approved, usually in writing, prior to the insurer binding coverage. On occasion, we may receive both commissions *and* client-paid fees for placing insurance, which generally will be disclosed in writing to you in advance. In certain circumstances clients pay us mutually agreed upon fees for additional services, such as third party administration of employee benefits or workers' compensation programs.

**Wholesale Operations** - We own wholesale insurance brokerages in both the U.S and Canada. These are intermediaries through which other brokers, typically retail brokers that have a relationship and deal directly with their clients, place coverage. Our own retail brokers may place client policies through HUB-owned wholesale brokers. In such cases, both the HUB retail broker and the HUB wholesale broker will earn commissions, and they are included in the client's premium payment. Ordinarily wholesale brokers, whether owned by HUB International or not, are included in the transaction because they offer products that are particularly suitable to a client's needs that are not available through normal insurance brokerage retail channels.

**Other Compensation and Benefits** - We may receive revenue or further benefits from our insurance brokerage activities in other ways, including, but not limited to, from insurance company promotional events, payments from insurers for promotional marketing and/or employee training and development, fees or a percentage of the interest paid to us for the administration of premium finance contracts, interest paid to us by financial institutions earned on fiduciary or trust accounts in which we hold your premium payments pending remittance to the insurance company, and fees paid to us for policy and/or claims administration and/or loss control services that we provide.

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**Related Party Transactions** - In limited circumstances, our subsidiaries or employees may have interests in insurers and reinsurers with whom policies are placed. We own a reinsurance broker that arranges reinsurance for carriers. It is possible that coverage placed by our retail brokers could be reinsured pursuant to placements made by our reinsurance subsidiary. Ownership of a reinsurance broker also creates an additional, mutually beneficial dimension to our relationships with insurance companies.

**Customer Centric Carriers** - We have access to the products and services of hundreds of insurers. However, we believe our ability to provide the best combination of products, service, value and ongoing access to capacity is enhanced by focusing on a manageable number of carrier relationships. These strategic relationships include many of the most respected national and regional insurance companies in the insurance industry (the "Strategic Carriers"). Although we will continue to access our other insurance company relationships where appropriate, we expect that many of our clients' insurance needs may be met through the Strategic Carriers. The Strategic Carriers may pay us enhanced compensation, which we intend to use in part to invest in initiatives to improve our ability to serve our customers' and to optimize their insurance buying experience. A portion of any enhanced compensation from our Strategic Carriers may be used to incentivize our employees to prioritize, investigate and access the products and services of our Strategic Carriers for the purpose of consolidating the number of insurance markets we deal with, while at the same time addressing the needs of our clients. More information regarding our Strategic Carrier relationships is available upon request from your HUB International insurance advisor or by visiting our website at [www.HUBinternational.com](http://www.HUBinternational.com).

Our goal is to be your insurance brokerage of choice. We know you have many brokerages to choose from, so to earn your confidence, we hold ourselves to the highest standard of service, a standard reflected in our written Client Commitment - we call it the "*The HUB Advantage*." We hope you will review the principles embodied in *The HUB Advantage*, a copy of which is attached for your convenience. You should also feel free to visit our website at [www.HUBinternational.com](http://www.HUBinternational.com) for more information regarding HUB International and how we do business.

Please also feel free to ask any questions about our compensation generally, or as to your specific insurance proposal or placement, by contacting your HUB broker or customer service representative directly, or by calling our client hotline at 1-866-857-4073.

We want you to choose a HUB International broker to be your insurance advisor – and we intend to make your decision an educated one.

# The HUB Advantage

## Our Commitment - The HUB Advantage

HUB International is dedicated to maintaining and upholding the highest standards of ethical conduct and integrity in all of our dealings with you, our client. We want to be your trusted risk advisor, and as such, we need to earn your confidence. So we are making a promise. We call it ***The HUB Advantage***. Our mission is to make the advantage yours - and this is our commitment.

- We strive to secure the most favorable terms from insurers, taking into account all of the circumstances - the risk you need to insure, the cost of insurance, the financial condition of the insurer, the insurer's reputation for service, and any other factors that are specific to your situation.
- We are open and honest as to how we are paid for placing your insurance. Our answers to your questions will be forthright and understandable. When we intend to seek a fixed fee for our efforts, we will disclose it to you in writing and obtain your approval prior to coverage being bound.
- You make the ultimate decision as to both the terms of insurance and the company providing your coverage. Our objective is to provide you with choices that meet your insurance needs, and to educate you so your decision is fully informed and best suited to your circumstances.
- We comply with the laws of every jurisdiction in which we operate, including those that apply to how insurance brokerages and agencies are paid. If the laws change, we will respond in a timely and appropriate manner.

We take our responsibility to our customers very seriously. If at any time you feel that we are not fulfilling your expectations - that we are not meeting our Client Commitment - please contact your account executive or call our toll free client hotline at 1-866-857-4073, and your concerns will be addressed as soon as possible.

## The HUB Advantage

**The privilege is ours, but the advantage is yours.**

# Claims Management

## CLAIMS MANAGEMENT OVERVIEW

In many organizations the cost of claims and resulting premiums is significant, including direct and indirect costs. Litigation, employee injuries and property losses can be devastating to any corporation, operation, and their employees. Whether it's general liability, workers compensation, or property claims, a poorly designed claims management program can be as detrimental as having no program, and claims that are not continually reviewed or managed can result in unintended outcomes.

HUB's Claim Consultants partner with our clients to understand their goals, objectives, and challenges. We work with our clients to develop and implement claims management solutions that minimize their Total Cost of Risk. One of HUB's many strengths is our collaborative approach amongst our Claims, Risk Services Team, the producer and account manager and our colleagues throughout HUB worldwide. Our Teams regularly work together, across regions and countries to continue to bring the depth of our expertise to every corner of the globe.

## CLAIMS MANAGEMENT SERVICES AVAILABLE TO OUR CLIENTS

HUB is committed to providing a wide range of services to our clients. We work to implement best practice claims management processes, claims analysis, serving as an advocate, and addressing specific issues before and as they occur.

- **Client Advocacy / Carrier Oversight**
  - Oversight/Coordination of carrier claims handling activities
  - Regular communication between clients and claims service providers
  - Providing outsourced expertise for complex & challenging claims
- **Claims Reviews**
  - Facilitated between the HUB Claim Consultant, Insurance Carrier, and Client Representative(s)
  - Establish claim file expectations and action plans
- **Reserve Analysis**
  - Review of claim providers reserving practices
  - Ensures that excess funds are not tied up in reserves
  - Ensure that financial liabilities are divulged clearly and accurately
- **Coverage Disputes**
  - Advocating and providing assistance with evaluating and challenging insurance carrier coverage denials on your behalf
- **Claim Audits**
  - Strategic audit of client's claim files to uncover opportunities to improve quality and reduce claim costs
  - Ensures that claims service providers are performing properly for the client
- **Preloss Planning**
  - Strategic planning based on past results
  - Provide training in identifying information key to the defense of a claim & incident response
  - Create incident reports for insured as a tool for incident response
  - Ensures a fair understanding of claims process in advance of the loss and helps mitigate downtime
  - Identifies issues before they arise
- **Third Party Administrator (TPA) Selection**
  - Assistance with selecting a Third-Party Administrator (TPA)
  - Development of the best in class program/process to manage claims
- **Claim Data Analysis**
  - Review of claim data to identify trends and primary cost drivers
  - Results in action plans that can be implemented with the designated HUB Risk Consultant
- **Settlement Evaluation**
  - Assistance in analyzing and structuring settlements, executing early resolutions, and exploring alternative dispute resolution options
- **Litigation Management**
  - Assistance with managing and minimizing legal defense costs during claim resolution
  - Executing communication, developing accepted activities, and creating a litigation plan
  - Review leases and contracts to identify risk transfer opportunities
  - Tender claims on behalf of clients as necessary
- **Employer Claim Management Practices**
  - Best Practice benchmarking of client's claims practices
  - Development of internal claims practices to reduce costs
- **Medical Case Management Program Design**
  - Assistance with developing Medical Case Management Programs, including aggressive treatment plans that incorporate cost control techniques
- **Dispute Resolution Options**
  - Guidance with options necessary to bring matter to ultimate resolution
- **Subrogation/Second Injury Fund Recoveries**
  - Ensuring the claims service provider has a process for identifying opportunities and maximizing recovery of expenses when a third party is negligent or when the state provides second injury funds

This list is not all-inclusive. Your designated HUB Claims Services team member(s) will meet with you to confirm goals and develop a customized service plan, deliverables and timelines that will address your needs and exceed expectations.

# Risk Services

## Risk Services Overview

Risks emerge and evolve, and the exposures always have the potential for high frequency and high costs. Injuries/illnesses, downtime, reputational issues, and losses can result in significant direct and indirect costs that can devastate any corporation, operation, and its employees. Additionally, monitoring and following regulatory requirements and industry best practices requires significant knowledge and a wide range of expertise, and a partner that stays focused on protecting your organization.

As a leading provider for risk management services, HUB International partners with our clients to work towards common goals, reducing their Total Cost of Risk (TCOR) and making our client's organizations more resilient. With experts in all functional areas and over 100 industries, our team has the proven knowledge and experience to assist our clients in identifying current/ potential risks and implementing controls to reduce exposure to loss. Our team members include:

- Board-Certified Safety Professionals
- Certified Risk Managers
- Certified Occupational Health Nurses
- Certified Construction Risk Specialists
- Environmental Risk Managers
- Property Protection Specialists
- Certified Hazardous Materials Managers
- Certified Industrial Hygienists
- Security Professionals
- Toxicologists
- Risk Technology Experts
- Workers Compensation Experts
- Professional Engineers
- Business Continuity Planning Experts
- Emergency Response Professionals
- Cyber Risk Management Experts
- Absence Management Professionals
- Product Liability Professionals
- General Liability Experts
- Tribometrists (Slip/Fall Experts)
- Travel Risk Management Professionals

Our team has the proven knowledge and experience to assist our clients in identifying current / potential risks and implementing controls to reduce exposure to loss.

## Consulting Methodology & Approach

Our consulting approach is designed to be timely, result-oriented, and focused where it counts - minimizing hazardous exposures and claims. Our five-step consulting approach:

1. Identify exposures, hazards, and losses
2. Evaluate current controls
3. Develop solutions
4. Implement solutions
5. Ongoing Measurement and Evaluation

This partnership approach builds the framework to create and implement effective, long-range solutions.

## Risk Services Available to Our Clients

HUB International specializes in a wide variety of risk services products and consultancy services. The specific services to be provided by the HUB Risk Services Division will be based on your goals as well as the application of our consulting approach and methodology.

### Risk Control Services:

- Regulatory Compliance
- Ergonomics Improvement
- Client Advocacy / Carrier Oversight
- Property Risk Engineering
- Safety & Environmental Management
- Fleet Risk Management
- Construction Safety Management
- Environmental Management
- OSHA 10/30hr Courses
- Management/Employee Training
- Audit and Inspections
- Safety Project Review / New Facility Protection Reviews
- Product Liability Assessments
- Hazard Assessments

### Specialty Risk Services:

- Cyber Risk Management
- Enterprise Risk Management
- Workforce Productivity
- Crisis Management
- Business Continuity Management
- Emergency Management
- Security Management
- High Net Worth/Family Office Risk Management
- Clinical Risk Management
- Entertainment Risk Management
- Travel Risk Management
- Industrial Hygiene
- Environmental Compliance
- Risk Management Information System (HUB RMIS)

### Strategic Partnerships:

- Online Training Providers/Developers
- Property/Process Engineering Firms
- Web-Based Continuity Planning Systems
- Environmental Testing Firms
- Art Preservation/Recovery Firms
- High - Risk Claims Identification Tools
- Pre-Hire Screening Tools
- Actuarial / Forensic Accounting Firms
- Telematics Providers
- Cyber Risk Assessment Firms
- Disaster Recovery Firms
- Outsourced Health Services Providers

This variety of disciplines enables HUB to respond to your specific risk control needs and objectives. Because we serve clients of all sizes, we can offer solutions that are properly scaled to meet the needs of your business.

# Recommendations

## BUILDING AND PERSONAL PROPERTY FORM

**Coinsurance.** Buildings and Business Personal Property limits should be reviewed to determine if they are adequate and in compliance with the coinsurance requirements under your policy.

**Off-Premises Services - Direct Damage.** Coverage for damage resulting from an off-premises interruption of power or other utility service is excluded. This coverage can be added by endorsement and is recommended if your property is subject to this exposure. Coverage is available with and without spoilage.

**Replacement Cost.** Loss settlement under the form is on an actual cash value basis which is defined as current replacement cost less physical depreciation. Replacement cost coverage would eliminate depreciation if property is actually repaired or replaced. We recommend this coverage enhancement.

**Signs and Glass.** Coverage applying to outdoor signs and building glass is extremely limited under the form. Separate coverage is available for this property and is recommended if there is an exposure.

**Incidental Property.** Coverage on outdoor fences, radio and television antennas, trees, shrubs and plants, including debris removal expense is covered only for fire, lightning, explosion, riot or civil commotion or aircraft. The maximum which will be paid is \$1,000 with a limit of \$250 for any one tree, shrub or plant. Coverage is available by endorsement and is recommended if there is an exposure.

**Debris Removal.** The cost to remove debris of covered property under the form is extremely limited. Coverage is available by endorsement and is recommended.

**Ordinance or Law.** The form excludes any loss, or increase of loss, caused by the enforcement of any ordinance or law regulating the construction, use, or repair of any property. Coverage for loss to the undamaged portion of the building, demolition cost and increased cost of construction arising out of ordinances or laws can be provided by endorsement and is recommended.

## BUSINESS INCOME AND/OR EXTRA EXPENSE COVERAGE FORM

This coverage is designed to provide protection against loss of income, payment of necessary continuing expenses, and extra expenses from a covered cause of loss. Flood is a standard exclusion on these form.

It may be possible to purchase higher limits as well as Flood Coverage for Business Income and Extra Expense on a limited basis.

**Business Income.** Business Income coverage is recommended to provide protection against loss of income and payment of necessary continuing expenses arising from suspension of your operations due to physical damage to your property by an insured cause of loss.

**Extra Expense.** Extra Expense is recommended to pay for costs in excess of normal operating expenses which you incur to continue operations without interruption after a direct property damage loss.

**Rental Income.** Coverage for loss of rental income resulting from untenantability of all, or a portion, of the insured building due to damage or destruction of real or personal property by an insured peril is available and is recommended if your operations include this exposure.

**Coinsurance.** Limits under these forms should be reviewed to determine if they are adequate and in compliance with any coinsurance requirements under your policy.

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**Off-Premises Services-Time Element.** Coverage for damage resulting from an off-premises interruption of power or other utility service is excluded. Coverage is available by endorsement and is recommended if your operations are subject to this exposure.

## COMMERCIAL GENERAL LIABILITY FORM

**Pollution.** Pollution is an excluded peril under the Commercial General Liability and Garage Liability policies. Oil and other waste storage on your premises may subject you to potential pollution liability. Coverage is available subject to high minimum premiums.

**Underground Storage Tanks Liability.** If you have underground storage tanks subject to 1988 EPA regulations, insurance covering this exposure should be pursued.

**Liquor Liability.** This form excludes liquor liability exposures of insured whose business is the manufacture, sale, or serving of alcoholic beverages. Separate liquor liability coverage is available and recommended if your operations include these exposures.

**Care, Custody and Control.** This form excludes coverage for property damage to property in your care, custody or control. If your operations include these exposures, separate coverage is available and recommended.

**Watercraft.** This form excludes coverage on owned watercraft and non-owned watercraft over 25 feet. If your operations include these exposures, separate coverage is available and recommended.

**Aircraft.** This form excludes coverage on owned and non-owned aircraft. If your operations include these exposures, separate coverage is available and recommended.

## EMPLOYEE BENEFIT LIABILITY

Provides coverage for negligent acts, errors or omissions in management of employee benefit plans.

## FIDUCIARY LIABILITY

Provides coverage for ERISA (Employee Retirement Income Security Act) exposures of fiduciaries for specifically designated plans to the extent that they are caused by a "wrongful act".

## COMMERCIAL CRIME FORM

**Employee Dishonesty.** Employee Dishonesty is recommended to provide coverage for the loss of money, securities and other property arising out of dishonest acts of your employees. Coverage is required by law for your pension plan.

**Depositor's Forgery.** Forgery or alteration coverage is recommended to protect you against loss due to the forgery or alteration of checks, bank draft, promissory notes, and similar financial instruments drawn on your bank account.

**Theft, Disappearance and Destruction.** Theft, Disappearance and Destruction including coverage for loss inside and outside premises is recommended to protect your money and securities from loss while within your premises and while outside the premises while in the care and custody of a messenger.

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## BOILER AND MACHINERY COVERAGE FORM

Property coverage excludes explosion of steam boilers, steam pipes, steam turbines, or steam engines; loss caused by mechanical breakdown, including rupture or bursting caused by centrifugal force including loss to refrigeration equipment and damage to electrical and electronic equipment due to electrical arcing and power surges. The Boiler and Machinery policy is designed to cover these losses to your property and loss to property of others.

## COMMERCIAL INLAND MARINE FORM

**Accounts Receivable.** Accounts Receivable coverage is recommended to protect against loss arising out of destruction to your accounts receivable records. Coverages include amounts due from customers that the insured cannot collect, collection expenses in excess of normal, expenses incurred in reconstructing accounts receivable records and interest charges on loans to offset uncollectible amounts pending loss settlement.

**Valuable Papers and Records.** Valuable Papers and Records coverage is recommended to protect you against accidental loss or damage from a covered cause of loss to valuable papers and records that belong to you or are in your care, custody, and control.

**Electronic Data Processing (EDP) Form.** EDP coverage is recommended to provide specialized insurance on your computer equipment, information storage media and expenses or income loss related to EDP losses.

**Motor Truck Cargo Form.** Motor Truck Cargo coverage is recommended if you carry property of others for a fee. Coverage can also be provided on an owners form motor truck cargo policy insuring your goods being transported by your trucks.

**Annual Transportation Form.** This form is recommended if you ship goods by common (or contract) carrier. Most forms cover your property and property of others for which you are liable, including property that has been sold but not delivered.

**Fuel Plus Endorsement.** This endorsement is available for fuel wholesalers and provides coverage for Terminal Access Cards, Erroneous Delivery or Mis-delivery and Gas or Oil Contamination.

## COMMERCIAL UMBRELLA COVERAGE.

Umbrella coverage is recommended to provide catastrophic coverage for liability claims which exceed your underlying liability insurance or to provide replacement coverage for underlying liability policies which are reduced or exhausted by loss. Minimum limits of \$5,000,000 are recommended.

## FLOOD INSURANCE

Coverage for Flood, whether from rising water or wind-driven water, is a standard exclusion on Buildings, Business Personal Property and Business Income and Extra Expense coverages. Limited coverage can be obtained from the National Flood Program for Buildings and Business Personal Property but not Business Income or Extra Expense.

Primary Flood coverage, as well as Excess Flood coverage, may be available on a limited basis.

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## DIRECTORS & OFFICERS LIABILITY

Directors and officers can be held personally liable if their negligent acts result in loss to the company or its shareholders. Claims can be initiated by shareholders, employees (wrongful termination, discrimination, defamation), customers (restraint of trade, deceptive trade practices), competitors (copyright, patent or business interference), and government regulators. Coverage is available and should be considered.

## EMPLOYMENT PRACTICES ERRORS & OMISSIONS

Commercial General Liability and Garage Liability policies generally do not provide coverage for employment-related injury to employees arising out of wrongful termination, discrimination and sexual harassment. The Employment Practices E&O policy provides this coverage. It is written specifically to provide coverage for indemnification and/or legal expense reimbursement arising out of wrongful discharge, discrimination and sexual harassment. Coverage can be provided for legal expenses only or indemnification for damages awarded.

## GARAGE LIABILITY COVERAGE FORM

**Broad Form Drive Other Car Coverage.** This endorsement is used to afford liability, auto medical payments, uninsured/underinsured motorist, and physical damage coverage for specifically named individuals (and those individuals' spouses) while they are using a non-owned auto for their own personal use. If your owners, executive officers, partners, or employees are furnished company autos and have no personally owned autos, this coverage is recommended.

**Pollution.** Your Garage Liability policy includes what constitutes an almost total exclusion of coverage for incidents involving pollutants. Coverage is available subject to high minimum premiums.

**Dealers Physical Damage.** Provides Collision, Comprehensive or Specified Peril coverage on owned, floor planned or non-floor planned vehicles.

**False Pretense.** Your Garage Liability policy excludes coverage for theft of your vehicles if someone causes you to voluntary part with the auto by trick, scheme or under false pretense or if you acquire an auto from a seller who did not have legal title. False Pretense provides this coverage.

**Dealers' Drive Away Collision.** This endorsement deletes the exclusion applying to collision loss to autos driven or transported more than fifty road miles from the point of purchase or distribution to their destination.

**Broad Form Products Coverage.** This deletes the defective products exclusion which excludes property damage to any of your products if caused by a defect existing in the product at the time it was transferred to another. It is subject to a \$250 deductible.

**Broadened Coverage - Garages.** This endorsement provides Personal Injury and Advertising Injury Liability, Host Liquor Liability, Fire Legal Liability, Incidental Medical Malpractice Liability, Non-Owned Watercraft or Aircraft, Additional Persons Insured Coverage, Automatic Liability Coverage-Newly Acquired Garage Businesses (90 days) and Limited Worldwide Liability.

**Hired Auto Liability.** Provides liability coverage on autos you lease, hire, rent or borrow (except from employee or partners).

**Hired Auto Physical Damage.** Provides physical damage coverage on autos you lease, hire, rent or borrow (except from employee or partners).

**Non-Owned Auto Liability.** Provides liability coverage for your business on autos owned by your employees' or partners while used in your business or your personal affairs.

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## WORKERS COMPENSATION & EMPLOYERS LIABILITY COVERAGE.

Workers Compensation coverage may be mandatory under your State statutes.

## BUSINESS AUTO COVERAGE.

**Hired Auto Liability.** Provides liability coverage on autos you lease, hire, rent or borrow (except from employee or partners).

**Hired Auto Physical Damage.** Provides physical damage coverage on autos you lease, hire, rent or borrow (except from employee or partners).

**Non-Owned Auto Liability.** Provides liability coverage for your business on autos owned by your employees or partners while used in your business or your personal affairs.

**Broad Form Drive Other Car Coverage.** This endorsement is used to afford liability, auto medical payments, uninsured/underinsured motorist, and physical damage coverage for specifically named individuals (and those individuals' spouses) while they are using a non-owned auto for their own personal use. If your owners, executive officers, partners, or employees are furnished company autos and have no personally owned autos, this coverage is recommended.

**Collision.** Pays for loss of or damage to your owned automobiles from collision with another object or upset.

**Comprehensive.** Pays for loss of or damage to owned automobiles from perils other than collision.

**Specified Perils.** Pays for loss caused by fire, theft, wind, hail, earthquake, explosion, flood, vandalism, and the sinking burning, collision or derailment of any conveyance transporting the covered auto.

**Pollution.** Your Business Auto policy includes what constitutes an almost total exclusion of coverage for incidents involving pollutants. Coverage is available subject to high minimum premiums.

**Rental Reimbursement.** For specified autos and coverages, pays rental cost of substitute auto after covered loss to scheduled auto.

## TERRORISM

On November 26, 2002, President Bush signed into law the Terrorism Risk Insurance Act of 2002 (the "ACT"). The Act establishes a short-term program under which the Federal Government will share in the payment of covered losses caused by certain acts of international terrorism. We are providing you with this notice to inform you of the key features of the Act and to let you know what effect, if any, the Act will have on your premium.

Under the Act, insurers are required to provide coverage for certain losses caused by international acts of terrorism as defined in the Act. The Act further provides that the Federal Government will pay a share of such losses. Specifically, the Federal Government will pay 90% of the amount of covered losses caused by certain acts of terrorism which are in excess of the company's statutorily established deductible for that year.

The Act also caps the amount of terrorism-related losses for which the Federal Government or an insurer can be responsible at \$100,000,000,000.00, provided that the insurer has met its deductible.