

ALA Chapters Insurance: What You Need to Know

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Review of Coverage Provided by ALA

- ▶ General Liability
- ▶ Errors & Omissions
 - ▶ Education at Chapter level
 - ▶ Programs/educational programs
 - ▶ Promoting information regarding administration and management issues



Optional Coverage Available for Purchase

- ▶ Crime Coverage
- ▶ Directors & Officers Coverage (at Chapter level)
- ▶ Cyber/Privacy Liability



Crime

- ▶ Provides coverage for the Chapter for theft by volunteer or employee of individual Chapter
- ▶ Optional coverage for Third Party Theft



Crime Coverage Definitions

Insuring Agreement	Definition	Claim Scenario
Fidelity	Includes coverage for employee theft, ERISA fidelity and employee theft of client property for direct loss of, or direct loss from damage to money, securities and other property.	An employee leveraged her role as executive director to procure payment to fraudulent vendors and to procure gift cards and other goods for personal benefit resulting in loss of \$789,000.
Forgery or Alteration	Includes coverage for loss sustained through forgery or alteration of outgoing negotiable instruments made or drawn by you, or drawn on your account(s), or made or drawn by one acting as your agent.	A signature was forged on a check and cashed at the insured's bank resulting in loss of \$6,343. An affidavit of forgery was executed claiming that the person's signature that appears on the check was not placed on the check by that person.
On Premises	Includes coverage for direct loss from damage, money or securities located inside the premises directly caused by theft, robbery or safe burglary.	Rent checks from eight different residents were stolen from inside the insured's premises. Loss was discovered after notices were sent out to residents advising that payments were overdue and one of the residents advised that his check had already been cashed.
In Transit	Includes coverage for direct loss of money or securities directly caused by theft, disappearance, damage or destruction while in transit outside the insured's premises and in the care and custody of a messenger or armored vehicle company.	A company lost \$2,500 when money was stolen from its messenger's truck while in transit.

Generic Claims Examples

Definitions from Travelers Wrap+ Specimen Policy Form



Crime Coverage Definitions

Insuring Agreement	Definition	Claim Scenario
Money Orders and Counterfeit Money	Includes coverage for direct loss caused by the insured's good faith acceptance of worthless money orders or counterfeit money.	A company received a counterfeit cashier's check for payment of delivered equipment. Loss exceeded \$30,000.
Computer Crime	Includes coverage for direct loss of, or direct loss from damage to, money, securities and other property caused by computer fraud as well as restoration expenses, or replacement of damaged or destroyed computer programs or electronic data caused by computer violation.	An employee of a vendor fraudulently gained access to the insured's computer and changed the bank routing number from the vendor to the employee's bank routing number, causing a large sum of money to be transferred directly to the employee instead of to the vendor.
Funds Transfer Fraud	Includes coverage for direct loss of money and securities contained in the insured's transfer account caused by fund transfer fraud.	An unknown party impersonated the insured's bank, contacted the insured's funds transfer administrator and convinced them to activate a computer link back to a phony bank. This allowed the impersonator to contact the insured's real bank, pretend to be the insured, and have wire transfers issued that ultimately ended up with a foreign bank resulting in loss of \$30,000.
Personal Accounts Protection	Includes coverage for personal accounts forgery or alteration and identity fraud expense reimbursement.	A company executive entrusted her secretary with her personal credit card and account information to arrange for travel arrangements. The secretary used that personal information for personal gain.
Claim Expense	Includes coverage for reasonable claim expenses incurred and paid by the insured to establish the existence, amount and preparation of the insured's proof of loss in support of a covered claim.	In addition to an employee dishonesty claim, a company incurred claim related expenses by retaining outside accountants and consultants in order to establish the existence, amount and preparation of its proof of the employee dishonesty claim.

Definitions from Travelers Wrap+ Specimen Policy Form



Renewal Quotes- Basic Coverage

2017-2018 Policy Period

\$50,000 Employee Theft
\$50,000 ERISA *
\$50,000 Forgery/Alteration
\$50,000 Personal Accounts
Protection
\$1,000 Deductible
\$125 Annual Premium

2018-2019 Policy Period

- ▶ \$50,000 Employee Theft
- ▶ \$50,000 ERISA *
- ▶ \$50,000 Forgery/Alteration
- ▶ \$50,000 Personal Accounts
Protection
- ▶ \$1,000 Deductible
- ▶ \$125 Annual Premium

*Note: \$5,000 Claims Expense also included, with \$0 deductible
* ERISA coverage is subject to a \$0 deductible*



Renewal Quotes- Premium Coverage

2017-2018 Policy Period

- ▶ \$50,000 Employee Theft
- ▶ \$50,000 ERISA / \$0 ded
- ▶ \$50,000 Forgery/Alteration
- ▶ \$50,000 Personal Accounts Protection
- ▶ \$1,000 Deductible
- ▶ \$125 Annual Premium

Higher Limits shown
on next slide

2018-2019 Policy Period

- ▶ \$50,000 Employee Theft
- ▶ \$50,000 ERISA / \$0 ded
- ▶ \$50,000 Forgery/Alteration
- ▶ \$50,000 On Premises
- ▶ \$50,000 In Transit
- ▶ \$50,000 Money Orders & Counterfeit Currency
- ▶ \$50,000 Computer Crime
- ▶ \$50,000 Funds Transfer Fraud
- ▶ \$50,000 Personal Accounts Protection
- ▶ **\$50,000 Social Engineering Fraud**
- ▶ \$1,000 Deductible
- ▶ \$200-250 Annual Premium

\$5,000 Claims Expense also included, with \$0 deductible
** ERISA coverage is subject to a \$0 deductible*



Crime: Higher Limits

\$100,000 Limit Option

- ▶ \$100,000 Employee Theft
- ▶ \$100,000 ERISA*
- ▶ \$100,000 Forgery/Alteration
- ▶ \$100,000 On Premises
- ▶ \$100,000 In Transit
- ▶ \$100,000 Money Orders & Counterfeit Currency
- ▶ \$100,000 Computer Crime
- ▶ \$100,000 Funds Transfer Fraud
- ▶ \$100,000 Personal Accounts Protection
- ▶ \$100,000 Social Engineering Fraud
- ▶ \$2,500 Deductible
- ▶ \$300-350 Annual Premium

\$150,000 Limit Option

- ▶ \$150,000 Employee Theft
- ▶ \$150,000 ERISA*
- ▶ \$150,000 Forgery/Alteration
- ▶ \$150,000 On Premises
- ▶ \$150,000 In Transit
- ▶ \$150,000 Money Orders & Counterfeit Currency
- ▶ \$150,000 Computer Crime
- ▶ \$150,000 Funds Transfer Fraud
- ▶ \$150,000 Personal Accounts Protection
- ▶ \$150,000 Social Engineering Fraud
- ▶ \$3,000 Deductible
- ▶ \$350-400 Annual Premium

\$5,000 Claims Expense also included, with \$0 deductible

** ERISA coverage is subject to a \$0 deductible*



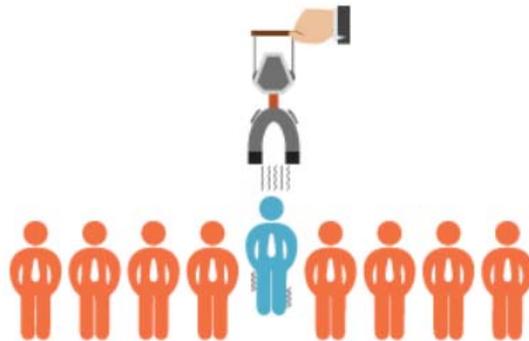
Add On: Social Engineering Coverage

Social Engineering Fraud means the intentional misleading of an **Employee** by a person purporting to be:

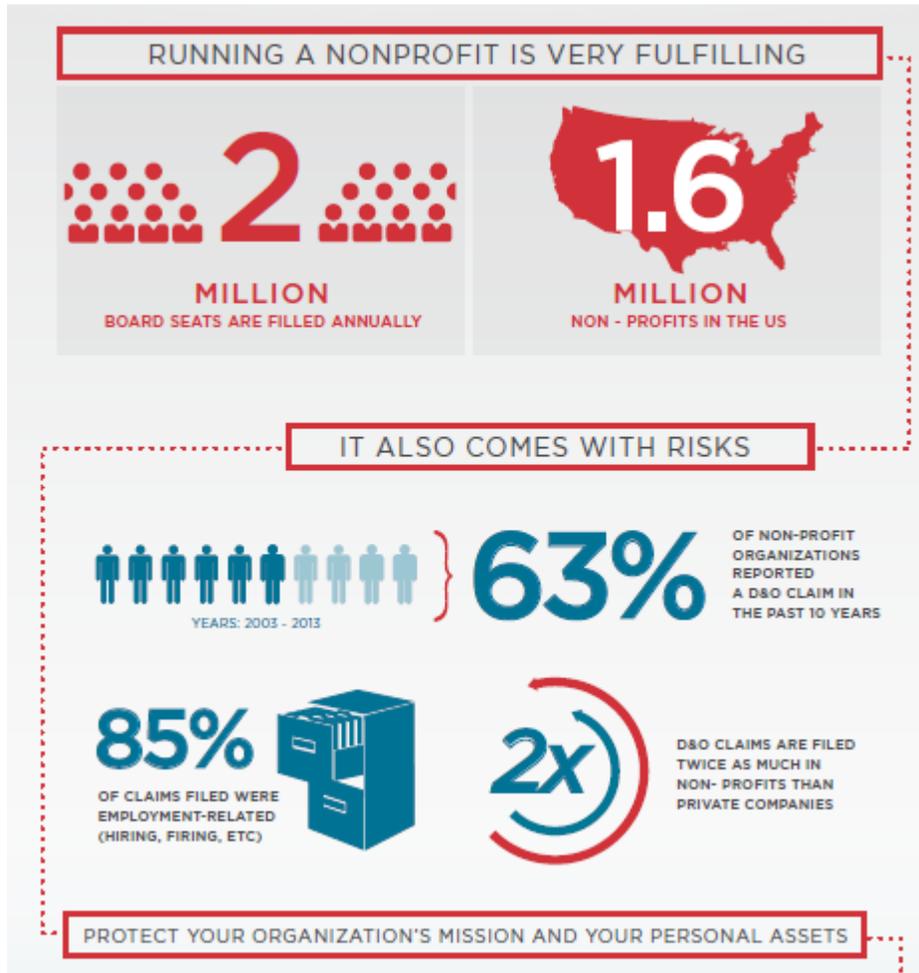
1. a **Vendor**
2. a **Client**;
3. an **Employee**; or
4. an **Authorized Person**,

through the use of a **Communication**.

- ▶ This new coverage will be offered for the 2018 renewal



Directors & Officers Liability



- ▶ 63% of nonprofit organizations experienced a Directors & Officers Liability claim in the past 10 years, which is higher than the percentage for both private and public companies

Reasons to consider D&O

- ▶ Protection of Personal Assets (as individual director, volunteer... if there is no or there is not enough indemnification available, this policy responds)
 - ▶ If small ALA Chapter, assets may not cover defense
 - ▶ If large ALA Chapter, multiple defendants share limits

- ▶ Exposure to Third Parties
 - ▶ Vendors
 - ▶ Other competing organizations
 - ▶ Misappropriation of funds

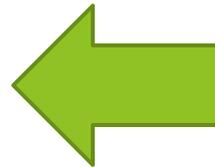
- ▶ Nuisance Lawsuits



D&O Claims Examples

- ▶ Breach of Fiduciary Duty
- ▶ Failure to Fulfill the Organization's NFP Mission
- ▶ Misuse of Funds
- ▶ Improper Conduct of Volunteers (or Employees)

"But we are protected by the
Volunteer Protection Act"



This act does not
provide defense costs,
gross negligence or
reckless misconduct



Cyber/Privacy Exposure

- ▶ Data on membership (PII)
- ▶ Credit cards - large chapters a/o PayPal type relations
- ▶ Chapter Cyber extorted



Cyber Liability Insurance

Third Party Liability Coverages

Coverage Description

Privacy and Network Security Liability

Protection for liability arising out of allegations of security and privacy wrongful acts against the Insured. Damages and claims expenses incurred as a result of a covered claim are included.

Regulatory Defense and Penalties

Protection for those amounts Insured is obligated to pay arising out of certain privacy regulatory actions. Defense costs and certain fines/penalties included.

Media Liability

Protection for liability arising out of allegations of multimedia wrongful acts, such as allegations of libel, slander, invasion of privacy, emotional distress, mental anguish - all in connection with the Insured's multimedia.

First Party Coverages

Coverage Description

Notification Expense/Credit Monitoring

Reimburses Insured for first party notification expenses incurred by insured following a privacy event or security breach. May extend to credit monitoring services, call center services, and other event management response expenses.

Network Interruption and Data Asset Restoration

Reimbursement for loss of net income and extra expenses following a security breach; also provides reimbursement for reasonable costs to restore, replace or reproduce damaged or destroyed computer programs, software and electronic data.

Extortion Expenses

Money and expenses paid at the recommendation of an approved service provider relating to cyber extortion demands.

Additional Coverages Available in Select Policies



Computer Fraud /
Electronic Fraud / Social
Engineering Fraud



Reputational
Harm



Professional
Liability Errors &
Omissions



Pricing

CYBER COVERAGE:				
Third Party Liability Insuring Agreements	Limit	Retention	Continuity Date	Prior & Pending Proceeding Date
A. Network and Information Security	\$1,000,000 for each Claim	\$1,000 for each Claim	Inception	Inception
B. Communication and Media Liability	\$1,000,000 for each Claim	\$1,000 for each Claim		
C. Regulatory Defense Expenses	\$1,000,000 for each Regulatory Claim	\$1,000 for each Regulatory Claim		

First Party Insuring Agreements	Limit of Insurance	Retention
D. Crisis Management Event Expenses	\$1,000,000 for each Single First Party Insured Event	\$1,000 for each Single First Party Insured Event
E. Security Breach Remediation and Notification Expenses	\$1,000,000 for each Single First Party Insured Event	\$1,000 for each Single First Party Insured Event
F. Computer Program and Electronic Data Restoration Expenses	\$1,000,000 for each Single First Party Insured Event	\$1,000 for each Single First Party Insured Event
G. Computer Fraud	\$1,000,000 for each Single First Party Insured Event	\$1,000 for each Single First Party Insured Event
H. Funds Transfer Fraud	\$1,000,000 for each Single First Party Insured Event	\$1,000 for each Single First Party Insured Event
I. E-Commerce Extortion	\$1,000,000 for each Single First Party Insured Event	\$1,000 for each Single First Party Insured Event
J. Business Interruption and Additional Expenses	\$1,000,000 for each Single First Party Insured Event	

CyberRisk Retroactive Date: N/A

CyberRisk Waiting Period (hours): with respect to Insuring Agreement J:8

TOTAL ANNUAL PREMIUM - \$1,538.00



ALA Package Discounts

- ▶ If 2 or more lines purchased (Crime, D&O, Cyber) a 4% discount is applied
- ▶ If all 3 lines are purchased, a 5% discount will apply





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- **Approximately half of our Managing Directors are technical staff**

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- W Best Practices Agency per Independent Insurance Agents & Brokers of America
- W Top 50 Commercial Agency per Insurance Journal
- W Wortham voted Best Place to Work by Houston Business Journal
- W Wortham's Houston office has been voted Top Workplace 6th year in a row
- W Multiple "Power Broker" award winners according to Risk & Insurance magazine
- W Multiple Young Guns recognized by Insurance Business



Questions?

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