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Date: May 4, 2012

OPEN AGENDA ITEM 3c

TO: MEMBERS OF THE BOARD OF DIRECTORS

- I. SUBJECT: Renewal of Expiring 3rd Quarter Insurance Policies**
- II. PROGRAM: Risk Management**
- III. RECOMMENDATION:** It is recommended that the President be authorized to secure renewal of the 3rd quarter 2012 expiring policies at terms most favorable to State Fund.

IV. ANALYSIS:
The following insurance policy renewal items are the executive risk policies that are due for renewal during 3rd quarter 2012. Risk Management recommends that the President be authorized to secure renewal of the expiring policies at terms most favorable to State Fund for the following coverage: Directors and Officers Liability, Errors and Omissions, Managed Care Liability: Utilization Review and Provider Selection, Employment Practices Liability, Financial Institution Crime Bond, Cyber Liability -1st Party, Cyber Liability – 3rd Party, and Public Officials Bond.

V. RESULTS/COSTS:
The insurance policy renewals fulfill a prime Risk Management responsibility. The following details the current insurance carriers, the policy limits, retentions, and premium for each type of coverage.

DIRECTORS AND OFFICERS/ INSURANCE COMPANY ERRORS AND OMISSIONS LIABILITY

The Directors and Officers Liability program is a layered program currently underwritten by XL Specialty Insurance Company, Axis Insurance Company, Liberty Mutual Insurance Company and RLI Insurance Company.

The primary layer is underwritten by XL Specialty Insurance Company and carries a limit of \$10,000,000 and retention of \$500,000. The first excess layer is underwritten by Axis Insurance Company and carries a limit of \$5,000,000 in excess of the primary \$10,000,000. The second excess layer is underwritten by Liberty Mutual Insurance Company and carries a limit of \$5,000,000 in excess of the \$15,000,000.

We have two additional layers for Directors and Officers - Side A Policy. The first layer is underwritten by RLI Insurance Company and carries a limit of \$5,000,000 excess \$20,000,000. The second layer is underwritten by XL Specialty Insurance Company and carries a limit of \$5,000,000 excess the \$25,000,000.

The insurance company errors and omissions policy is underwritten by Indian Harbor Insurance Company (XL) and carries a limit of \$10,000,000 and a \$1,000,000 retention.

Total premium for the complete errors and omissions program is \$835,038. The policies expire August 1, 2012.

MANAGED CARE LIABILITY: UTILIZATION REVIEW AND PROVIDER SELECTION

This policy is underwritten by Employers Fire Insurance Company. The policy provides limits of \$5,000,000 each claim and in the aggregate, subject to a \$50,000 retention. Premium is \$61,656. Policy expires August 1, 2012.

EMPLOYMENT PRACTICES LIABILITY

Insurance for the above liability policy is underwritten by Axis Insurance Company. The policy provides limits of \$10,000,000 and carries a \$500,000 retention. Premium is \$127,032. Policy expires August 1, 2012.

FINANCIAL INSTITUTION CRIME BOND

The Financial Institution Bond is a fidelity policy underwritten by Axis Insurance Company. The policy provides limits of \$5,000,000 and is subject to a \$150,000 deductible. Premium is \$20,965. Policy expires on August 1, 2012.

CYBER LIABILITY – 1ST PARTY

This is an Enterprise Risk First Party Cyber liability policy and it is underwritten by Lloyds of London. Policy provides coverage for loss of digital assets, and business interruption. Cyber extortion is not covered. The policy limit is \$2,000,000 and carries a retention of \$100,000. Premium for this policy is \$21,675. Policy expires August 1, 2012.

CYBER LIABILITY – 3RD PARTY

This is a Third Party Cyber Protection policy and it is underwritten by Lloyds of London. Policy provides coverage for privacy liability, employee privacy liability, privacy regulatory defense, crisis management, security liability and data protection reputational harm. The policy limit is \$10,000,000 and carries retentions up to \$500,000. Premium for this policy is \$98,989.48. Policy expires August 1, 2012.

PUBLIC OFFICIALS BOND

This is a surety government bond insuring the State Fund President. Bond is underwritten by Hartford Fire Insurance Company. Bond limit is \$50,000. Premium for this bond is \$200. Bond expires August 2, 2012.

Randy Hogan, Risk Manager