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Date: May 9, 2014

**TO: MEMBERS, BOARD OF DIRECTORS**

<b>I. AGENDA ITEM # AND TITLE :</b>	Open Agenda Item 3c – Consent Calendar: Renewal of Expiring 3 <sup>rd</sup> Quarter Insurance Policies
<b>II. NAME AND PROGRAM:</b>	Randy Hogan, Risk Management
<b>III. ACTIVITY:</b>	<input type="checkbox"/> Informational <input type="checkbox"/> Request for Direction <input checked="" type="checkbox"/> Action Proposed <input type="checkbox"/> Exploratory
<b>IV. JUSTIFICATION:</b>	<input checked="" type="checkbox"/> Standard/Required Item <input type="checkbox"/> Board Request – New Item <input type="checkbox"/> New Topic from Staff

**V. EXECUTIVE SUMMARY:**

State Fund's current management liability program is due for renewal on September 30, 2014. The expiring program consists of the following insurance policies: Directors and Officers, Employment Practices, Crime, Company Errors and Omissions, Managed Care Errors and Omissions and Cyber Liability.

Risk Management recommends that the President/CEO be authorized to secure a renewal program for 2014 at terms most favorable to State Fund.

**VI. ANALYSIS:**

The insurance policy renewals fulfill a prime Risk Management responsibility. The following table details the expiring management program:

Coverage Type	Expiring Insurer/Premium	Details
Directors and Officers Liability – Primary	XL Specialty Insurance Co. \$168,000	<ul style="list-style-type: none"> <li>• \$10M limit               <ul style="list-style-type: none"> <li>○ Retention: Side-A: none</li> <li>Side-B and C: \$500,000</li> </ul> </li> </ul>
Directors and Officers Liability – 1 <sup>st</sup> Excess	AXIS Insurance Co. \$65,054	<ul style="list-style-type: none"> <li>• \$5M, excess of \$10M</li> </ul>
Directors and Officers Liability – 2 <sup>nd</sup> Excess	Liberty Mutual \$44,800	<ul style="list-style-type: none"> <li>• \$5M, excess of \$15M</li> </ul>

Directors and Officers Liability – 3rd Excess	RLI Insurance \$30,000	<ul style="list-style-type: none"> <li>• \$5M, excess of \$20M</li> <li>• Side-A D.I.C.</li> </ul>
Directors and Officers Liability – 4 <sup>th</sup> Excess	XL Specialty Insurance Co. \$29,000	<ul style="list-style-type: none"> <li>• \$5M, excess of \$25M</li> <li>• Side-A D.I.C.</li> </ul>
<b>D&amp;O Sub-total</b>	<b>\$336,854</b>	
Employment Practices Liability	AXIS Insurance Co. \$131,382	<ul style="list-style-type: none"> <li>• \$10M limit <ul style="list-style-type: none"> <li>○ \$500,000 Retention</li> </ul> </li> </ul>
Crime	AXIS Insurance Co. \$25,000	<ul style="list-style-type: none"> <li>• \$5M limit <ul style="list-style-type: none"> <li>○ \$150,000 Retention</li> </ul> </li> </ul>
Errors and Omissions – Insurance Company	Indian Harbor (XL Prof.) \$571,075	<ul style="list-style-type: none"> <li>• \$10M limit <ul style="list-style-type: none"> <li>○ \$1M Retention</li> </ul> </li> </ul>
Errors and Omissions – Managed Care	Homeland Ins. (AXIS) \$80,150	<ul style="list-style-type: none"> <li>• \$5M limit <ul style="list-style-type: none"> <li>○ \$50,000 Deductible</li> </ul> </li> </ul>
Cyber Liability – 3rd Party	Lloyds of London \$109,100	<ul style="list-style-type: none"> <li>• \$10M limit <ul style="list-style-type: none"> <li>○ \$500,000 Retention</li> </ul> </li> </ul>
Cyber Liability – 1st Party	Lloyds of London \$21,675	<ul style="list-style-type: none"> <li>• \$2M limit <ul style="list-style-type: none"> <li>○ \$100,000 Retention</li> </ul> </li> </ul>
<b>Total Premium</b>	<b>\$1,275,236</b>	

The market remains firm. It is expected that overall pricing will not vary significantly but may see some slight increases. Strategy will be to go forward without significant increases and without losing favorable terms by exclusions being added to policies.

## VII. RECOMMENDATION:

To authorize staff to secure renewal of the September 2014 expiring policies at terms most favorable to State Fund.