

BOARD OF DIRECTORS (OPEN)

AGENDA ITEM 3

ATTACHMENT 3c-I

BOARD of DIRECTORS ORIENTATION for NEW BOARD MEMBERS  
*(c. Directors and Officers Insurance)*

PRESENTED BY: Jim Neary and Adam McDonough

January 21, 2010



## State Compensation Insurance Fund Directors & Officers Liability Insurance Program

August 1, 2009 – August 1, 2010

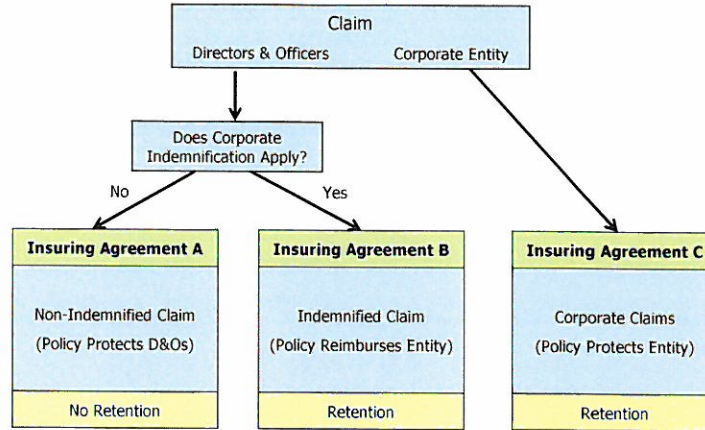


### D&O Primer

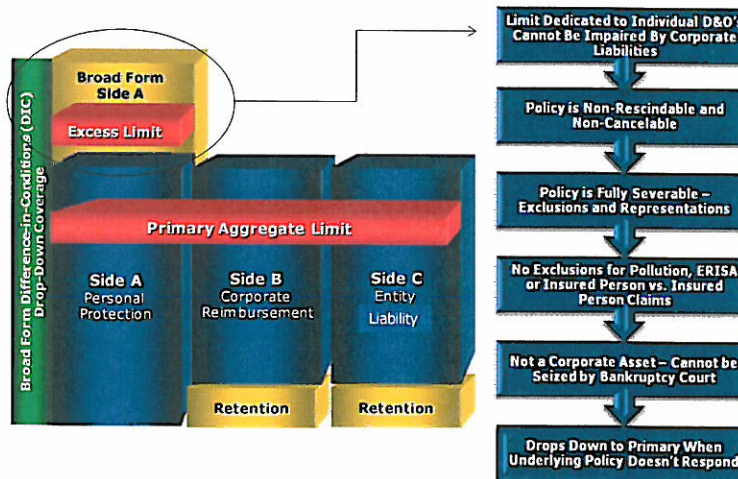
- ❖ **Claims Made Policy Form**
  - Policy in effect at the time the claim is made is the policy that applies, regardless of when the wrongful acts took place
- ❖ **Limit of Liability and Self-Insured Retention**
  - Limit of liability is the "aggregate" amount available to pay all claims in a given policy period
  - Self-insured retention applies to each separate claim – interrelated claims share one single retention
- ❖ **Insured Persons**
  - Any past, present or future director or officer, individuals serving as directors or officers of outside non-profit organizations, spouses, estates and heirs
- ❖ **Wrongful Act**
  - Actual or alleged act, error, omission, misstatement, misleading statement, neglect or breach of duty by an insured person
- ❖ **Insuring Agreements**
  - Coverage A: Non-Indemnified D&O Claims
  - Coverage B: Indemnified D&O Claims
  - Coverage C: Corporate Entity Claims



## D&O Insuring Agreements



## Excess A-Side (DIC): Features & Benefits

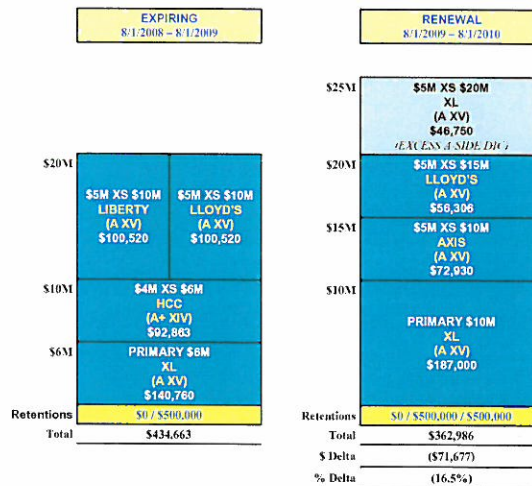


## Differentiating SCIF's Risk Profile

- ❖ Face-to-face meetings with underwriters in New York and Orlando (RIMS Conference)
- ❖ Emphasized:
  - Improved governance practices as a result of new management's implementation of DOI recommendations (AB1874 and SB1145)
  - Increased number of board positions
  - Implementation of board committee charters
  - Newly created executive management positions
  - Sound investment portfolio and surplus growth
  - Remote insolvency exposure
  - Non-recurring nature of events and allegations in pending claim
  - Enterprise risk management initiative
- ❖ Highlighted board opposition to asset sales



## D&O Renewal Results – 2009





## D&O Renewal Results – 2009

- ❖ Reduced premium by 16.5% despite adding \$5M of A-Side DIC
- ❖ Secured entity coverage for all claims
- ❖ Coverage for the entity as a co-defendant in a formal investigation
- ❖ Coverage for all outside non-profit positions (not just 501c3)
- ❖ Broader severability of exclusions
- ❖ Broader severability of representations
- ❖ Limited application of fraud/illegal conduct exclusion
- ❖ Negotiated 100% advancement of defense costs, settlements subject to "best efforts" allocation



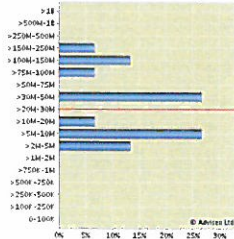
## D&O Limit Benchmark Analysis

Current Peer Group		Rate per million (\$Boundary Values)	
		Group: Entire Peer Group	
<b>Industries:</b>	All	<b>Boundary</b>	
<b>Company Type:</b>	Private	<b>25th Percentile:</b>	\$7,837.80
<b>Financials (Assets):</b>	1 Billion to 5 Billion, Greater than 5 Billion	<b>Median:</b>	\$11,033.80
<b>Demographics (Employees):</b>	All	<b>75th Percentile:</b>	\$15,725.70
<b>Location:</b>	United States	<b>Average:</b>	\$19,359.90
<b>Time Periods:</b>	Trailing 32 months	<b>Program Count:</b>	14
<b>Coverage:</b>	Management Liability	<b>Benchmarked Company Value:</b>	\$14,519.44
<b>LOBs:</b>	D&O Side-A, Directors & Officers Liability		
<b>Program Characteristics:</b>	None		
<b>Peer Group Size:</b>	15		

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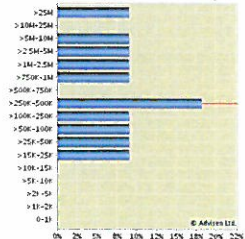
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Limit (\$): Entire Peer Group



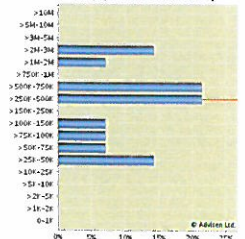
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Retention (\$): Entire Peer Group



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Premium (\$): Entire Peer Group



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## **Our Mission**

To be the worldwide value and service leader in insurance brokerage and risk management services

## **Our Goal**

To be the best place to do business and to work



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