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Date: July 1, 2011

AGENDA ITEM 3e

TO: MEMBERS, BOARD OF DIRECTORS

- I. SUBJECT:** Renewal of Expiring 2011 - 3rd Quarter Insurance Coverage
- II. PROGRAM:** Risk Management
- III. RECOMMENDATION:** It is recommended that the President be authorized to secure renewal of the 3rd quarter 2011 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 2011. 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: Employment Practices Liability, Financial Institution Bond, Directors and Officers Liability, Errors and Omissions, Managed Care Liability: Utilization Review and Provider Selection, Enterprise Privacy/Network Security Liability and Network Asset Protection.

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

EMPLOYMENT PRACTICES LIABILITY

Insurance for the above liability policy is underwritten by Axis Insurance Company. The policy provides limits of \$10,000,000 each claim with a \$10,000,000 aggregate, subject to a \$500,000 deductible, inclusive of defense costs. The premium for this policy is \$127,062. This policy expires on August 1, 2011.

FINANCIAL INSTITUTION BOND

The Financial Institution Bond is underwritten by Axis Insurance Company. The bond expires on August 1, 2011. The current bond limit is \$5,000,000 subject to a \$150,000 deductible. Premium is \$20,957.

DIRECTORS AND OFFICERS AND PROFESSIONAL LIABILITY

Insurance for the above liability is currently underwritten by XL Specialty Insurance Company, Axis Insurance Company and Lloyd's of London.

The policy limit for Directors and Officers is \$20,000,000. The first layer of \$10,000,000, excess of a \$500,000 company deductible, is underwritten by XL Specialty Insurance Company. The second layer of \$5,000,000 excess of \$10,000,000 is underwritten by Axis Insurance Company. The third layer of \$5,000,000 excess of \$15,000,000 is underwritten by Lloyds of London.

We have an additional \$5,000,000 excess \$20,000,000 for Side A (DIC) of the Directors and Officers policy. This coverage is with XL Specialty Insurance Company.

The policy limit for Errors and Omissions is \$10,000,000 subject to a \$1,000,000 retention. Coverage is provided by Indian Harbor Insurance Company (XL).

Total premium for all coverage is \$907,854. The policies expire August 1, 2011.

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 deductible. Premium is \$61,656. This policy expires August 1, 2011.

ENTERPRISE PRIVACY AND NETWORK SECURITY LIABILITY

The Enterprise Privacy policy is underwritten by Lloyds of London. It provides coverage for privacy liability, employee privacy liability, network security liability, privacy regulatory defense and penalties and crisis management expense. The policy limit is \$10,000,000 with a \$500,000 retention. The premium for this policy is \$96,989 and it expires on August 1, 2011.

NETWORK ASSET PROTECTION

The Network Asset Protection policy is underwritten by Lloyds of London and provides coverage of digital assets. The policy limit is \$2,000,000 with a deductible of \$100,000. The premium for this policy is \$25,864 and it expires on August 1, 2011.

Mary Ann Slivinski

Risk Manager