

BOARD OF DIRECTORS MEETING (OPEN)

AGENDA ITEM 13b

ATTACHMENT 13b-I

RENEWAL OF EXPIRING 3rd QUARTER INSURANCE POLICIES

PRESENTED BY: Jeanne Cain

May 15, 2009



1275 Market Street
San Francisco, CA 94103
(415) 565-1456
www.scif.com

Date: May 4, 2009

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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 2009 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 2009. 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 and 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 Lexington (AIG) Insurance Company. The policy provides limits of \$10,000,000 each claim with a \$10,000,000 aggregate, subject to a \$250,000 deductible. The

premium for this policy is \$289,727. This policy expires on August 1, 2009.

FINANCIAL INSTITUTION BOND

The Financial Institution Bond is underwritten by National Union Fire Insurance Company of Pittsburgh. The bond expires on July 1, 2009. The current bond limit is \$5,000,000 subject to a \$150,000 deductible. Premium is \$65,623.

DIRECTORS AND OFFICERS AND PROFESSIONAL LIABILITY

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

The policy limit for Directors and Officers is \$20,000,000. There is no retention for Side A coverage for personal asset protection for non-indemnifiable claims for Directors and Officers; Side B coverage for State Fund corporate asset protection for indemnifiable claims has a \$500,000 retention. The first layer of \$6,000,000 is underwritten by XL Specialty Company. The second layer of \$4,000,000 excess of \$6,000,000 is underwritten by HCC Global. The third layer of \$10,000,000 excess of \$10,000,000 is underwritten by Liberty Mutual and Lloyds of London. The policy limits for Errors and Omissions is \$10,000,000 subject to a \$1,000,000 retention. The first \$6,000,000 of coverage is provided by Indian Harbor Insurance Company. \$4,000,000 excess of \$6,000,000 is covered by HCC Global. Total premium for both D&O and E&O coverage is \$1,256,104. The policies expire August 1, 2009.

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 with a \$5,000,000 aggregate, subject to a \$50,000 deductible. Premium is \$72,537. This policy expires August 1, 2009.

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 \$111,494 and it expires on August 1, 2009.

NETWORK ASSET PROTECTION

The Network Asset Protection policy is underwritten by Lloyds of London and provides coverage of digital assets. The policy limit is \$1,000,000 with a deductible of \$100,000. The premium for this policy is \$23,203 and it expires on August 1, 2009.

MARYANN SLIVINSKI, Risk Manager