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# Understanding Your Risks: Managing Your Exposures and Protecting what matters

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# What Insurance is necessary?

- Property
- General Liability
- Auto
- Excess & Ancillary Coverages
- Q & A





PARTNERSHIP FOR COMMERCIAL INSURANCE & RISK MANAGEMENT

# PROPERTY INSURANCE

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## Property Coverages

- Building Coverage and Other Structures
  - Structures
  - Additions
  - Anything bolted to the building
- Contents and Inland Marine Coverage
  - Contents has a specific limit
  - Sublimits are typical on policies (Guns, Cash, Fine Arts)
  - Named Peril Coverage
  - Inland Marine
    - Consider “Scheduling” high-value items
    - All Peril Coverage
    - Scheduling for a specific dollar amount

## SET APPROPRIATE VALUATION

# Property Insurance: Appropriate Valuations

Failure to establish accurate values will result in compromised coverage at the time of loss.

**CONTROL****COST****COVERAGE**

## Why is it Important

- Following physical damage to insured assets, clients fully expect that all repair or replacement costs be covered in excess of their deductible.
- Carriers are imposing recovery limitations based on negative experiences related to the adequacy of values which can lead to underinsured outcomes.
- Addressing this potential gap in coverage will be critical in providing full recovery following physical damage to assets.
- Marshall & Swift/Appraisers
- Coinsurance Penalties



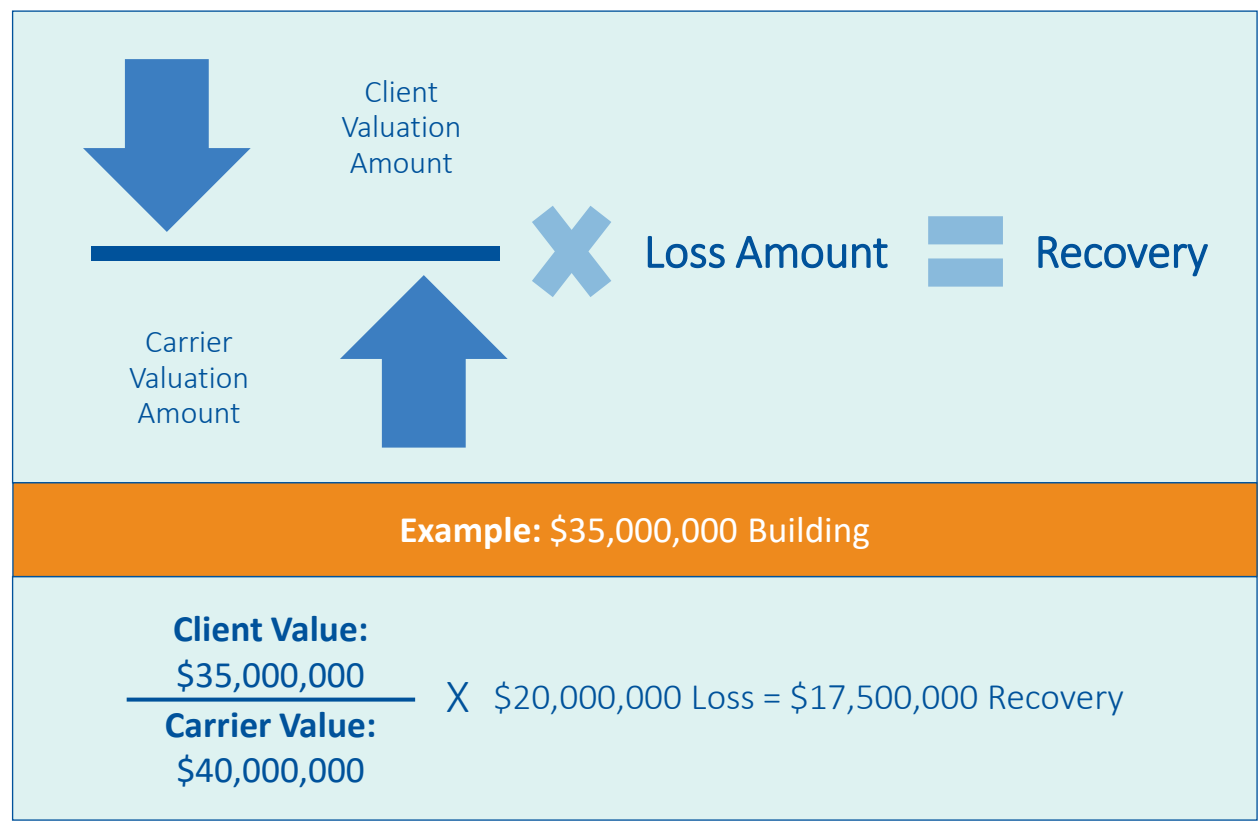
## Property Insurance Coverage Types

- **Replacement Cost Coverage**
  - Claim resolution at cost to replace with like kind and quality
  - Full Value of incurred cost received
- **Functional Replacement Cost**
  - Claim Resolution at cost to replace with like kind and quality with materials that have the same function
    - Ex. Drywall or blue board instead of plaster
- **Actual Cash Value**
  - Settlement at cost to replace less depreciation for age and condition

SET APPROPRIATE VALUATION

# Recovery Gap Example #1

Coinsurance – Long-standing carrier approach used to limit coverage.



### Key Observations

- Valuation discrepancies often occur post-loss and can result in recovery shortfalls.
- Ensure the most accurate values are agreed at inception and cannot be adjusted post-loss.

**Recovery Gap: \$2,500,000**





# REAL ESTATE BUSINESS INCOME LIMIT

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# Business Issue

USI reviews rental income exposures and recommends coverage and limits to address the exposures appropriately

**CONTROL****COSTS****SAVINGS**

## Why is it Important

- Most real estate companies do not have a formal process to determine the amount of rental income protection they need
- They simply submit and purchase 12 months of coverage based on 12 months of rents
- USI evaluates the potential loss against the impact to revenue and recommends appropriate coverage levels, which minimizes possible underinsured events



## Impact and Benefits to Clients

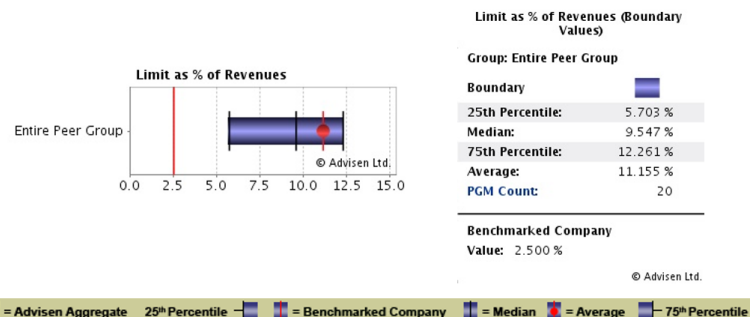
- Inadequate limits create underinsured events in excess of \$1,000,000
- No premium associated with adding tenant relocation component
- Exposure fully communicated to carriers leads to faster claim settlement
- By taking control of your Business Interruption, you control future and ongoing program savings



USI applies comprehensive analytical processes and tools to help our clients select the appropriate coverage structure for their risk profile

loss interval	Frequency of Loss			Severity of Loss		
	number in interval	probability of loss in interval	probability that losses are less than lower end	amount in interval	probability of loss in interval	probability that losses are less than lower end
\$0 to \$25,000	221	91%	0%	\$898,132	35%	0%
\$25,001 to \$50,000	5	2%	91%	\$465,622	18%	35%
\$50,001 to \$100,000	7	3%	93%	\$537,591	21%	52%
\$100,001 to \$150,000	3	1%	96%	\$391,461	15%	73%
\$150,001 to \$200,000	3	1%	98%	\$174,576	7%	88%
\$200,001 to \$250,000	2	1%	99%	\$71,496	3%	96%
\$250,001 to \$350,000	1	0%	100%	\$61,066	2%	98%
\$350,001 to \$500,000	0	0%	100%	\$0	0%	100%
\$500,001 to \$1,000,000	0	0%	100%	\$0	0%	100%
\$1,000,001 to \$2,000,000	0	0%	100%	\$0	0%	100%
<b>TOTALS</b>	<b>242</b>	<b>100%</b>	<b>100%</b>	<b>\$2,599,944</b>	<b>100%</b>	<b>100%</b>

- Loss forecasting and other actuarial based analysis
- Benchmarking of premium and limits
- Contractual risk review and mitigation
- Amend Policy Aggregate Limit to per Project/Location
- Named insured(s) and additional insured(s) review
- What Type of Losses would be considered?
  - Slip & Falls
  - Injuries
  - Trees



■ = Advisen Aggregate 25th Percentile ■ = Benchmarking Company ■ = Median ■ = Average ■ = 75th Percentile



# Hired and Non-Owned Automobile

- Review the business's operations and its related exposure to non-owned auto losses.
- Provide coverage to vehicles owned and operated by employees for the business, or for vehicles that are rented for short periods of time.

8	Hired "Autos" Only	Only those "autos" you lease, hire, rent or borrow. This does not include any "auto" you lease, hire, rent or borrow from any of your "employees", partners (if you are a partnership), members (if you are a limited liability company) or members of their households.
9	Non-owned "Autos" Only	Only those "autos" you do not own, lease, hire, rent or borrow that are used in connection with your business. This includes "autos" owned by your "employees", partners (if you are a partnership), members (if you are a limited liability company) or members of their households but only while used in your business or your personal affairs.

- **"Any Auto" coverage symbol 1 offers the most protection**







PARTNERSHIP FOR COMMERCIAL INSURANCE & RISK MANAGEMENT

# UMBRELLA/EXCESS PROGRAM BENCHMARKING



# Executive Summary

Benchmarking limits and losses relative to peers provides empirical data to establish appropriate limits of liability and avoid an uninsured loss.

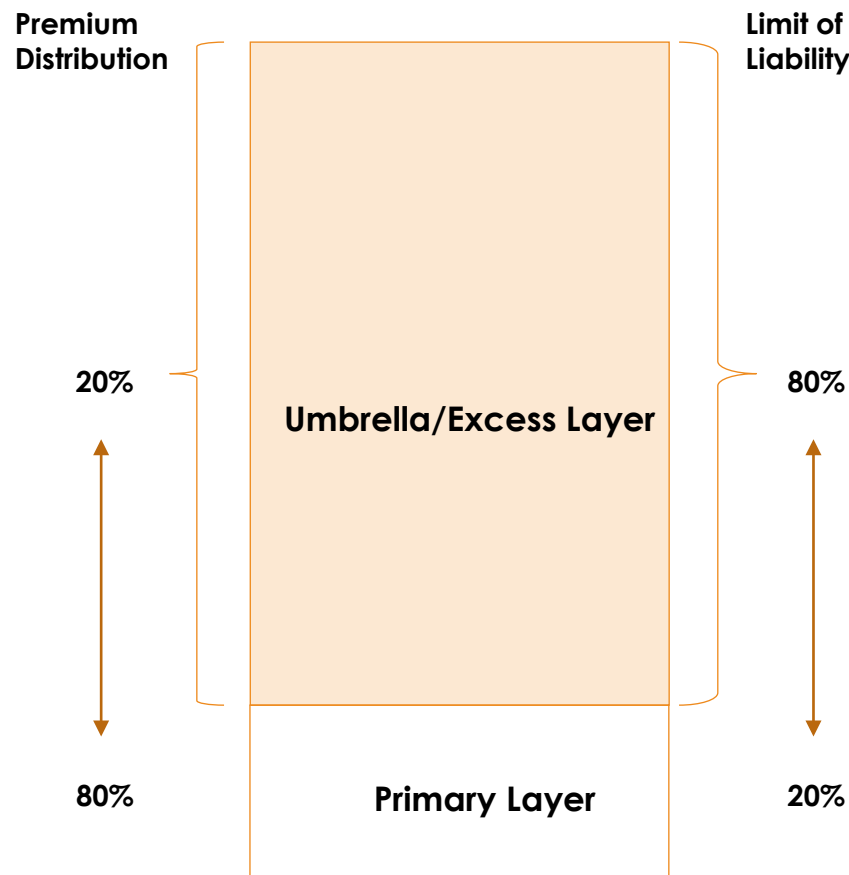


## Why is it Important

- Umbrella coverage is intended to protect against the unforeseen catastrophic loss and allow the insured to maintain the asset base in their balance sheet.
- Large loss severity is trending upwards year over year due to social inflation and nuclear verdicts.
- Determination of how much umbrella/excess liability limits to purchase and at what cost can be challenging, especially in a hard market when capacity is constrained, and prices are high.

# The Benefit of Benchmarking

Tailored benchmarking analysis allows for a more informed decision on limits purchased in comparison to peer/industry.



## Key Observations

- Although the umbrella/excess layer can cost ~20% of total premium, the limits provided are usually much higher than the primary layer.
- Typically umbrella/excess liability limits are purchased with little analytical support and insureds do not have a way of quantifying potential liabilities.
- Benchmarking provides:
  - Peer and industry group comparison of limits purchased
  - The magnitude of large losses within the peer and industry group
- Allows an insured to make an informed decision balancing limit needed and cost of umbrella/excess insurance.





## BUSINESS AUTO COVERAGE FORM

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we", "us" and "our" refer to the company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section V – Definitions.

### SECTION I – COVERED AUTOS

Item Two of the Declarations shows the "autos" that are covered "autos" for each of your coverages. The following numerical symbols describe the "autos" that may be covered "autos". The symbols entered next to a coverage on the Declarations designate the only "autos" that are covered "autos".

#### A. Description Of Covered Auto Designation Symbols

Symbol	Description Of Covered Auto Designation Symbols
1	Any "Auto"
2	Owned "Autos" Only Only those "autos" you own (and for Covered Autos Liability Coverage any "trailers" you don't own while attached to power units you own). This includes those "autos" you acquire ownership of after the policy begins.
3	Owned Private Passenger "Autos" Only Only the private passenger "autos" you own. This includes those private passenger "autos" you acquire ownership of after the policy begins.
4	Owned "Autos" Other Than Private Passenger "Autos" Only Only those "autos" you own that are not of the private passenger type (and for Covered Autos Liability Coverage any "trailers" you don't own while attached to power units you own). This includes those "autos" not of the private passenger type you acquire ownership of after the policy begins.
5	Owned "Autos" Subject To No-fault Only those "autos" you own that are required to have no-fault benefits in the state where they are licensed or principally garaged. This includes those "autos" you acquire ownership of after the policy begins provided they are required to have no-fault benefits in the state where they are licensed or principally garaged.

- Necessary for owned and non-owned autos
  - Association with owned historical vehicles
  - Vehicles used in business
  - Coverage for liability while traveling
  - Non-Owned Autos provides coverage for rentals and associates operating in business operations



AUTO LIABILITY

# Drive Other Car Coverage

Providing coverage for a driver's personal auto use of a vehicle that's not owned by the business.

- Understand whether a company's vehicle driver depends on the corporate insurance program solely for their auto insurance coverage.
- Structure the policy to cover drivers when they are driving non-company owned automobiles for personal use.

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

### DRIVE OTHER CAR COVERAGE – BROADENED COVERAGE FOR NAMED INDIVIDUALS

This endorsement modifies insurance provided under the following:

AUTO DEALERS COVERAGE FORM  
BUSINESS AUTO COVERAGE FORM  
MOTOR CARRIER COVERAGE FORM

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by the endorsement.

This endorsement changes the policy effective on the inception date of the policy unless another date is indicated below.

Named Insured:

Endorsement Effective Date:

#### SCHEDULE

Name Of Individual:			
Covered Autos Liability Coverage	Limit:	\$	Premium: \$
Auto Medical Payments	Limit:	\$	Premium: \$
Comprehensive	Deductible:	\$	Premium: \$
Collision	Deductible:	\$	Premium: \$
Uninsured Motorists	Limit:	\$	Premium: \$
Underinsured Motorists	Limit:	\$	Premium: \$

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

**Note:** When Uninsured Motorists Coverage is provided at limits higher than the basic limits required by a financial responsibility law, Underinsured Motorists Coverage is included, unless otherwise noted. If Underinsured Motorists Coverage is provided as a separate coverage, make appropriate entry in the Schedule above.

**A.** This endorsement changes only those coverages where a premium is shown in the Schedule.

#### **B. Changes In Covered Autos Liability Coverage**

1. Any "auto" you don't own, hire or borrow is a covered "auto" while being used by any individual named in the Schedule or by his or her spouse while a resident of the same household except:

a. Any "auto" owned by that individual or by any member of his or her household.

b. Any "auto" used by that individual or his or her spouse while working in a business of selling, servicing, repairing or parking "autos".

2. The following is added to **Who Is An Insured:** Any individual named in the Schedule and his or her spouse, while a resident of the same household, are "insureds" while using any covered "auto" described in Paragraph B.1. of this endorsement.

#### **C. Changes In Auto Medical Payments And Uninsured And Underinsured Motorists Coverages**

The following is added to **Who Is An Insured:** Any individual named in the Schedule and his or her "family members" are "insureds" while "occupying" or while a pedestrian when being struck by any "auto" you don't own except: Any "auto" owned by that individual or by any "family member".

#### **D. Changes In Physical Damage Coverage**

Any private passenger type "auto" you don't own, hire or borrow is a covered "auto" while in the care, custody or control of any individual named in the Schedule or his or her spouse while a resident of the same household except:

1. Any "auto" owned by that individual or by any member of his or her household.

2. Any "auto" used by that individual or his or her spouse while working in a business of selling, servicing, repairing or parking "autos".

#### **E. Additional Definition**

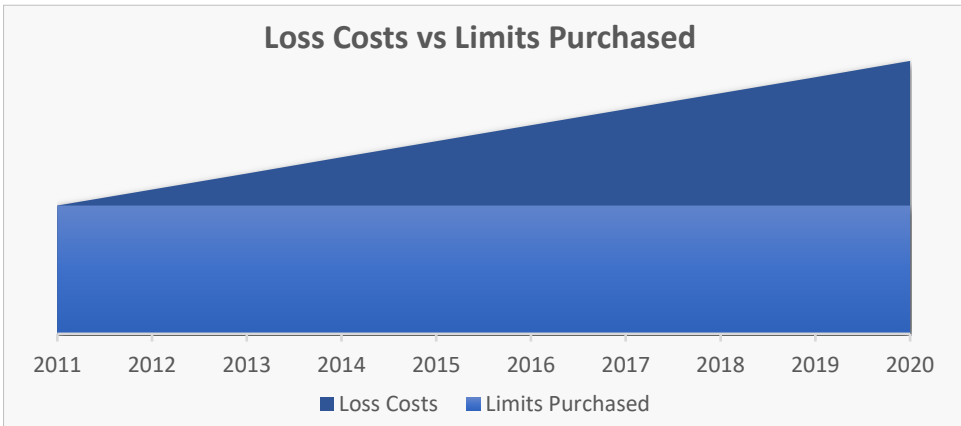
As used in this endorsement:

"Family member" means a person related to the individual named in the Schedule by blood, marriage or adoption who is a resident of the individual's household, including a ward or foster child.

Protecting Drivers Solely Depends on Corporate Auto Coverage

# The Large Loss Trend

Social inflation has led to skyrocketing “nuclear” verdicts in the last 10 years.



- ### Key Observations
- Limits Purchased have not kept up with the increasing Loss Cost trend.
    - Of verdicts > \$1M, average awards have increased more than 1,000% since 2010.
    - Frequency of “nuclear” verdicts (\$20M or more) in 2019 was more than 300% higher than prior 10-year annual average.
  - Social inflation drivers include
    - Distrust in corporations
    - Litigation funding (3rd party investors fund plaintiff costs in exchange for payout %)
    - Aggressive and effective litigation strategy (ex. jury consultants and psychologists)
  - While industry and jurisdiction can influence the risk of large claims, the threat of a nuclear verdict exists for all companies.

### Sample Large Losses

Industry	\$'s Incurred	Detail
Chemical	\$671M	Chemical exposure
Construction	\$110M	Injury from falling debris
Consumer Products	\$50M	Defective product leading to death
Food & Beverage	\$60M	Alcohol service of minor led to crash
Healthcare	\$215M	Sexual abuse
Hospitality	\$161M	Injury by a security guard
Life Sciences	\$57M	Design defect leading to injuries
Manufacturing	\$317M	Explosion from mfg defect
Oil & Gas	\$46M	Auto accident
<b>Real Estate</b>	<b>\$25M</b>	<b>Balcony collapse</b>
Transportation	\$412M	Auto accident
Utilities	\$25M	Electric shock





## Review exposures related to crime risks

Typical Crime Policy covers loss of money, securities and other property

<b>Insuring Clauses Applicable to this Coverage Part:</b>	<b>Limits of Liability:</b>
<input checked="" type="checkbox"/> (A) Employee Theft Coverage:	\$1,000,000.00
<input checked="" type="checkbox"/> (B) Premises Coverage:	\$1,000,000.00
<input checked="" type="checkbox"/> (C) In Transit Coverage:	\$1,000,000.00
<input checked="" type="checkbox"/> (D) Forgery Coverage:	\$1,000,000.00
<input checked="" type="checkbox"/> (E) Computer Fraud Coverage:	\$1,000,000.00
<input checked="" type="checkbox"/> (F) Funds Transfer Fraud Coverage:	\$1,000,000.00
<input checked="" type="checkbox"/> (G) Money Order and Counterfeit Currency Fraud Coverage:	\$1,000,000.00
<input checked="" type="checkbox"/> (H) Credit Card Fraud Coverage:	\$1,000,000.00
<input checked="" type="checkbox"/> (I) Client Coverage	\$1,000,000.00
<input checked="" type="checkbox"/> (J) Expense Coverage:	\$250,000.00



## Cyber Attacks: Are you at Risk?

### CYBER BREACH EXPOSURE

Theft, loss, or unauthorized disclosure of personally identifiable non-public information or third party corporate information

### CYBER HACKING EVENT

Unauthorized users or organized criminals access systems to inflict financial and/or reputational damage through theft of data, data destruction, data leaks, etc.

### EXPOSURE TO SOCIAL ENGINEERING

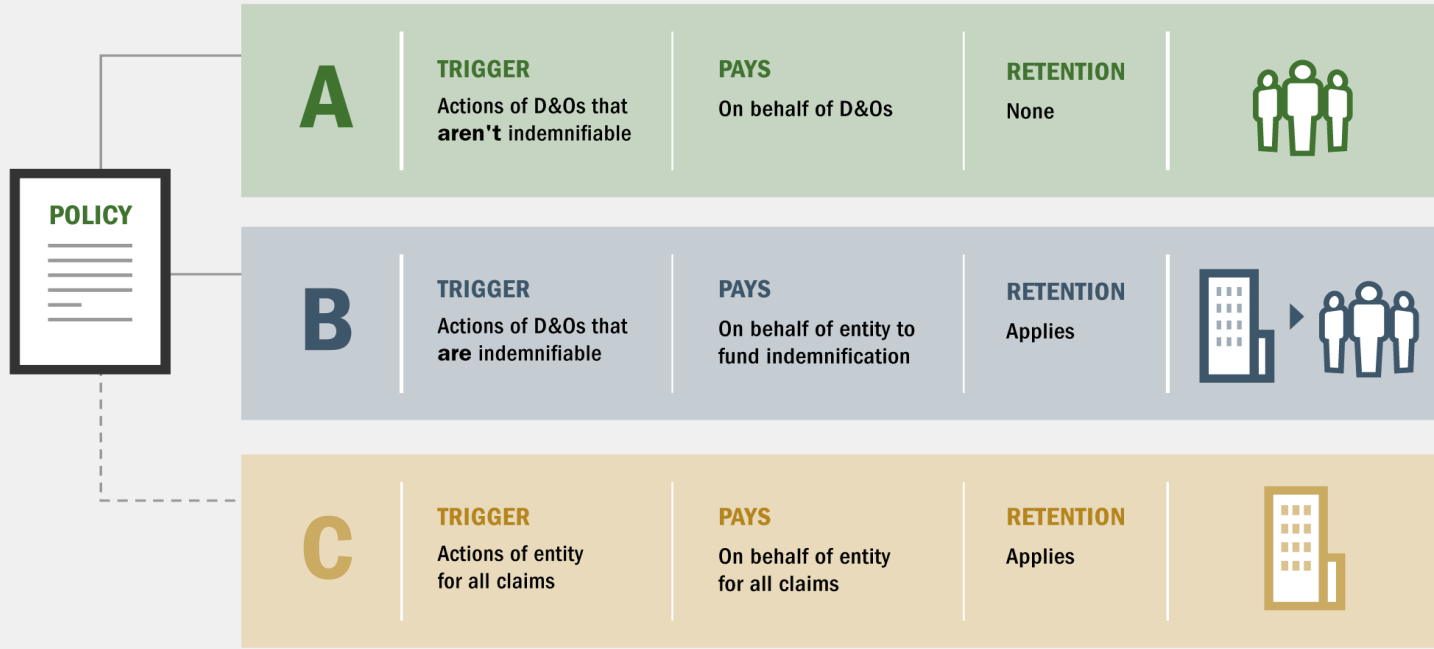
Hacker uses non-technical methods (trickery) to induce people to break normal security procedures and create a financial exposure to a company

### CYBER EXTORTION EVENT

Cyber-attack or threat that involves demand for money to avoid or stop the attack



### Components of a D&O Policy for Private Companies





Coverage is designed to protect against wrongful acts arising from the employment process, including those brought by Third Parties (non-employees), such as:

- Harassment
- Discrimination
- Wrongful termination
- Retaliation
- Defamation
- Unfair hiring practices

EEOC CHARGES <small>(www.eeoc.gov)</small>	FY 2013	FY 2014
TOTAL CHARGES	93,727	88,778
RACE (%)	33,068 35.3%	31,073 35.0%
SEX (%)	27,687 29.5%	26,027 29.3%
NATIONAL ORIGIN (%)	10,642 11.4%	9,579 10.8%
RELIGION (%)	3,721 4.0%	3,549 4.0%
RETALIATION (all statutes) (%)	38,539 41.1%	37,955 42.8%
RETALIATION (Title VII only) (%)	31,478 33.6%	30,771 34.7%
AGE (%)	21,396 22.8%	20,588 23.2%
DISABILITY (%)	25,957 27.7%	25,369 28.6%

- Coverage for EEOC charges
- Defense costs for wage and hour disputes (FLSA)
- Expand Definition of “Employee” for Non-conventional Positions
- Include third party coverage





## USI reviews client's professional liability/E&O exposure and structures comprehensive coverage with appropriate limits and terms

Professionals who are concerned about their legal liability resulting from negligence, errors or omissions in provision of their professional service can be protected by Professional Liability coverage.

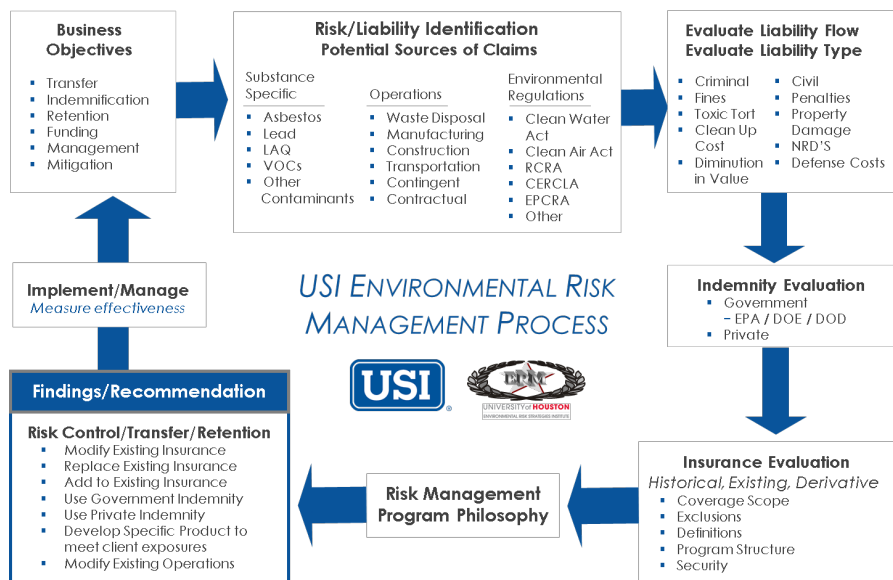
Specifically, USI works with the following class of business:

- Construction Firms
- Architects
- Engineers
- OCIP needs
- CCIP needs
- Interior Designers
- Landscape Designers
- Construction Support
- Real Estate Agents
- LEED/BIM providers

\*\*\*Exposure may exist if acting as a consultant\*\*\*



USI leverages environmental law, technology and toxicology to implement a comprehensive risk management process



- Client specific environmental exposure analysis and pre-underwriting
- Efficient and cost effective environmental program structure
- Protection from 1<sup>st</sup> party discovery for clean up and defense cost
- Coverage for 3<sup>rd</sup> party claims of bodily injury, property damage and clean up
- Incorporation of insurance programs, indemnification in contracts and best risk management practices



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