

Insurance Claims & Coverages

Managing Your Risk

Dean Rhoades
First Vice President – Director of Special Projects

It's Our Business to Protect Yours
FEDERATED
INSURANCE

Why Do You Buy Insurance?

Insurance is designed to help pay for the direct costs of a loss, including:



Medical Expenses



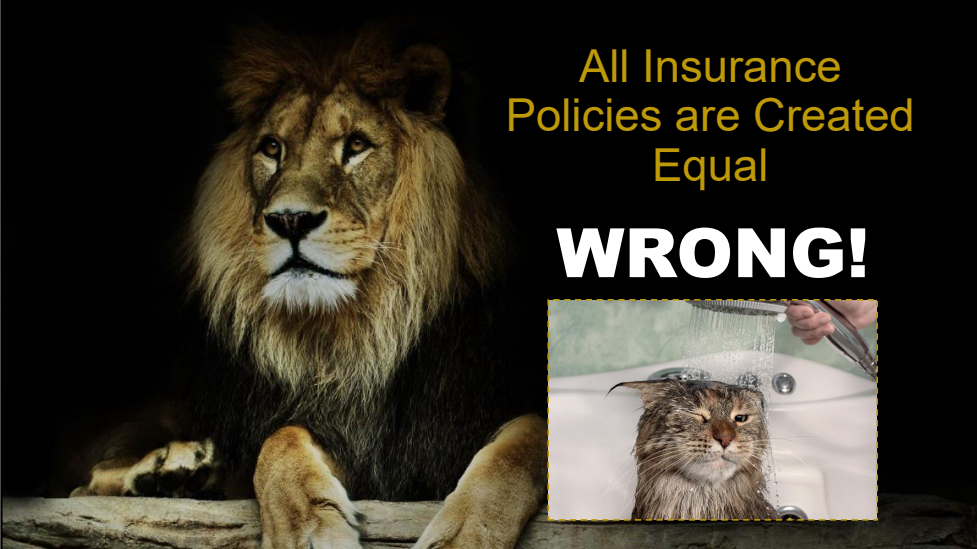
Indemnity Costs



Property Damage



Defense Costs

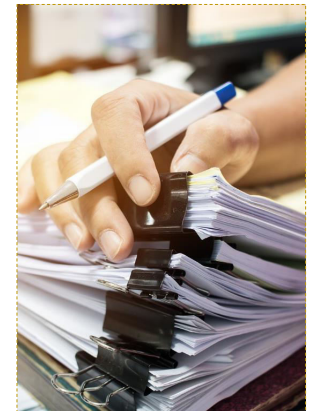



All Insurance Policies are Created Equal

WRONG!


Insurance Policies

- Most insurance companies use policies written by the Insurance Services Office (ISO).
- An insurance policy is considered a contract.



Problem: Employment Discrimination

- An employee is dismissed because of poor work performance.
- Later, the terminated employee files a claim with the Equal Employment Opportunities Commission (EEOC) claiming discrimination and wrongful termination.




Solution:
Employment-Related Practices Liability Policy



Problem: Ransomware or Cyber Extortion

- While trying to balance the books, an employee received a strange pop-up on the computer.
- A ransomware virus locked the system until an extortion demand was paid.
- After consultation, the business hires an investigator and negotiator to assist with the extortion demands.
- With the insurance carrier approval, the insured decided to pay the demand of \$8,000 to unlock the system.




Solution:
Federated Cyber Shield



Problem: Data Breach

- A significant amount of personally identifiable information for employees and clients is stored online.
- The computer system is hacked and sensitive personal information is compromised.
- The insured must investigate and notify hundreds of individuals, costing nearly \$35,000.
- When they turn their claim into their insurer, they quickly discover they have no coverage for these costs.



Solution:
Data Breach Liability Policy




Problem: Property Damage

- A business owner has insurance coverage on a storage building for \$100,000 on a replacement cost basis with 80% coinsurance.
- The actual cost to replace the building is \$250,000.
- A windstorm causes \$40,000 damage to the roof.
- The owner is shocked when they receive a check from their insurance company for only \$19,000.

$$\frac{\$100,000 \text{ Amount Insured}}{\$250,000 \text{ Actual Cost}} = \frac{\$100,000 \text{ Deductible}}{\$250,000 \text{ Replacement Cost}} = \frac{\$19,000 \text{ Payment}}{\$40,000 \text{ Damage}}$$

(\$230,000) have Insured



Solution:
Remove Coinsurance Clauses from the Policy



Problem: Drug and Alcohol

- While at work, an employee is fatally injured in an accident.
- During the post-accident investigation, it's discovered the employee had illegal drugs in their pocket and their blood sample tested positive for drugs.
- A pre-employment drug screening was not completed nor was a formal anti-drug/alcohol policy in place.



Problem: No Workers Compensation

- While at work, an employee attempts to lift a heavy object severely injuring their back.
- The injured worker is not able to work for a significant amount of time and ultimately is determined to be partially disabled, unable to work.
- The employer is surprised to find that even though they're not required to provide workers compensation coverage, they're required to pay for the loss.

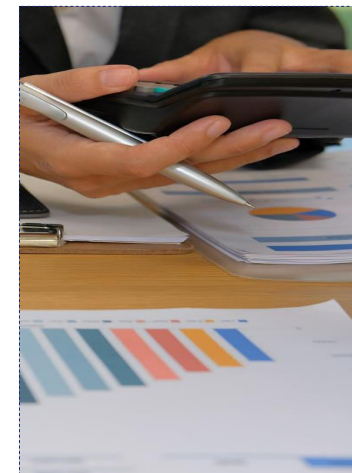


Problem: Workplace Injury

- An employee suffers a knee injury while at work and is unable to perform their typical duties.
- The employee is expected to miss several weeks from work; medical and loss wage benefits are paid.
- After several weeks the workers compensation insurer continues to pay wage-loss benefits to the employee, totaling thousands of dollars.



Workers Compensation Experience Modifications

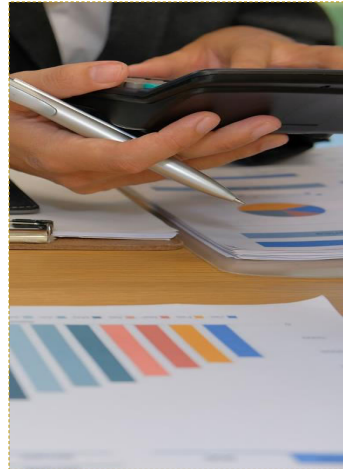


Workers Compensation

Current WC Mod	0.98
Current WC Premium	\$31,277
Average WC Mod	1.00
Average WC Premium	\$31,915
Lowest WC Mod	0.73
Lowest WC Premium	\$23,298

Your experience modifier is costing you...

\$7,979

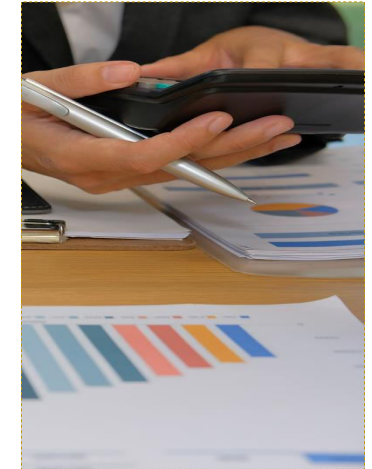


Workers Compensation

Current WC Mod	0.98
Current WC Premium	\$31,222
With additional losses	1.45
New WC Premium	\$46,277

Additional losses could cost you...

\$15,055



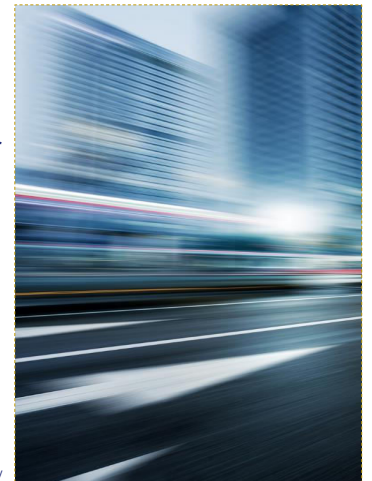
Managing Your Drivers



Vicarious Liability

- An employer can be liable for the acts or omissions of its employees, provided it can be shown that they took place in the course of their employment.*

*<https://legaldictionary.net/vicarious-liability>



Reinforce Safe Driving

- Have a Driving Policy
- Educate Employees
- Driver Screening and Monitoring
- Mobile Solutions
- Fleet Technology



Federated DriveSAFESM

Federated DriveSAFESM Telematics
 The DriveSAFE program leverages technology to give you and your employees consistent, meaningful feedback about their driving habits. Within an administrator portal and an app, DriveSAFE gives employees an overall score for:

- hard braking
- hard acceleration
- hard cornering
- speeding
- phone use

Scan to learn more about Federated DriveSAFESM

Call the Client Contact Center at +888-333-4949 to enroll.

FEDERATED INSURANCE

Federated Motor Insurance Company - Federated Service Insurance Company
 Federated Life Insurance Company - Federated Service Insurance Company - Spirit of the South
 All coverage is provided by member companies. Coverage is not available in all states. Some of the information herein is for informational purposes only and does not constitute an offer of insurance. Coverage is not available in all states. For more information, please contact your agent. © 2023 Federated Insurance Company. All rights reserved.

IS THIS YOUR DRIVER?

- 47% of Americans consider themselves addicted to their phones.
- 344 the number of times the average person checks their phone each day.
- 23K the increased likelihood of crashing a vehicle while driving distracted.

Could cell phone addiction impact your business?
 Do you know who your good drivers are? Do your employees enjoy friendly competition?
 Have you been looking for a way to promote safe driving?



How Does it Work?



Telematics as PPE



Statistics from DriveSAFE Telematics App



Contractor Industry Exposures



Inland Marine

In the Event of a Claim...

- Contractor's Tools and Equipment
 - Market Value vs. Brand New
 - Adequate Limits of Insurance
 - Coinsurance Penalty
 - Common Causes of Loss Limited or Excluded



General Liability

Top 5 Standard ISO GL Exclusions:

1. Designated Products, Work, or Ongoing Operations Exclusions
2. Abuse or Molestation Exclusion
3. Wrap-Up Designated Operations Coverage Exclusion
4. Fungi or Bacteria Exclusion
5. Silica Dust Exclusion



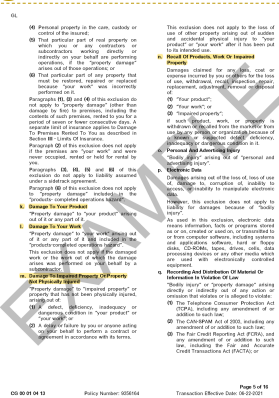
Employment Related Practices Liability

- Employees Bringing Suits Alleging:
 - Wrongful Termination
 - Discrimination
 - Sexual Harassment
 - Retaliation
- Potential Claims from Job Applicants



Business Errors and Omissions

- Fills Coverage Gaps in General Liability
- Covers:
 - Cost to Redo Your Product and Work
 - Fix Errors Not Covered by GL
- Coverage Might Be Needed Due To:
 - Job Contract Requirement
 - Your Performance of Professional Services



Cyber Insurance

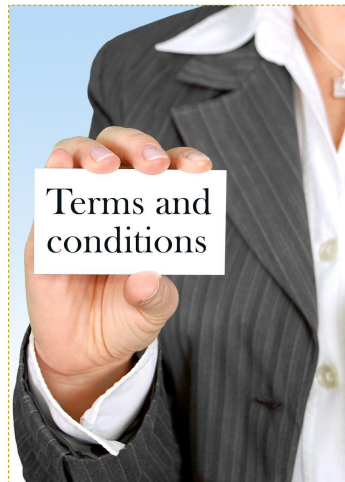
- Compliance with state breach notification laws
- Forensic analysis to identify what information was breached
- Credit monitoring and identity theft case management
- Public relations strategy to minimize reputational risk
- Fines and/or penalties from Payment Card Industry (PCI) or other regulatory agencies
- Potential legal action from affected individuals



Pollution

Standard Total Pollution Exclusions:

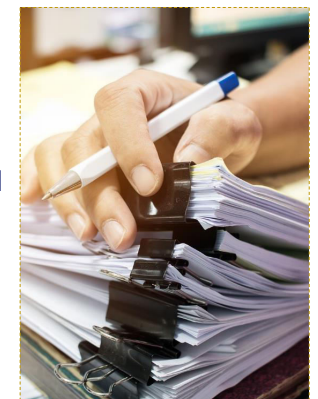
- CG 21 49
- CG 21 55
- CG 21 65



Insurance Certificates & Endorsements

Certificates of Insurance and Additional Insured Endorsements

- GL Ongoing Operations Additional Insured
- GL Completed Operations Additional Insured



Other Exposures

OSHA | Fire | Inflation | Disaster Planning

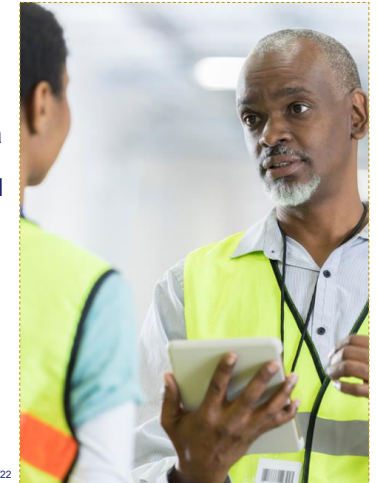


OSHA Violations

- According to the US Department of Labor Data Enforcement, in 2021 there were more than 61,000 OSHA inspections at both the state and federal levels resulting in more than 110,000 violations with potential fines of greater than \$267 million.*
- Resources available:



*<https://enforcedata.dol.gov/views/oshalab.php> 5/22



Million Dollar Fire

Question: What does a \$1 million electrical cord look like?

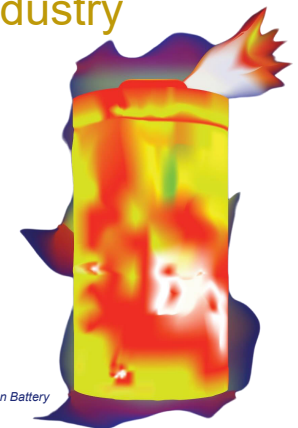


Answer: Exactly like your electrical cords, *except burnt.*



Historic Fire Losses for the Industry

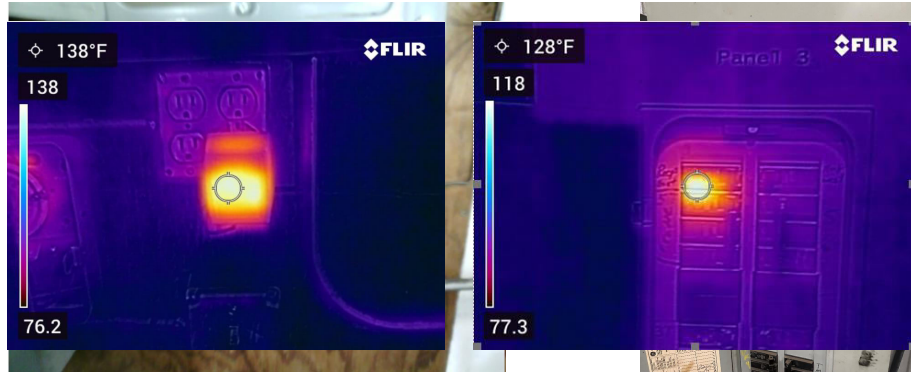
- Inflation – Driving Severity
- Lack of Preventative Maintenance
 - Mechanical Systems
 - Electrical Systems
- Lithium Batteries



X-ray View Inside Overheating Lithium-Ion Battery

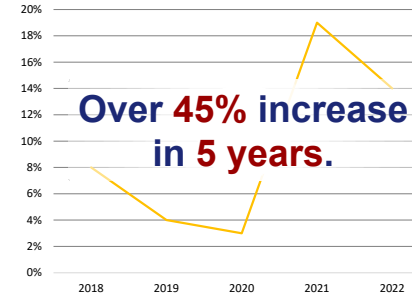


Infrared Technology



Why Inflation Matters

Commercial Construction Inflation



Source: Mortenson Co. Commercial Construction Inflation Index

Scenario	Limit of Insurance
NOT COVERED	\$1,000,000
BUILDING LOSS	\$1,450,000



Disaster Planning

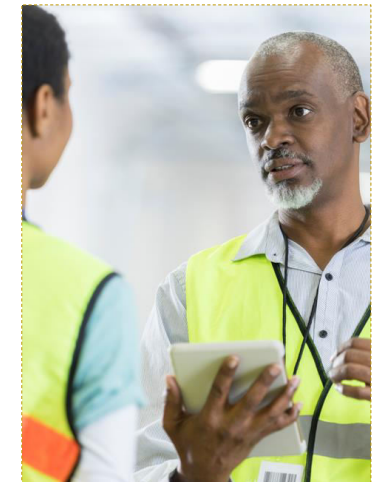
- 2017 was the costliest year on record for natural disasters in the United States at more than \$165 Billion.^{1,2}
- Forced many businesses to close their doors.
- Business owners should have two things:
 - 1) Insurance
 - 2) A preparedness plan

¹<https://www.ill.org/fact-statistic/facts-statistics-us-catastrophes>
²Climate.gov, pub. Jan. 2023 | 2022 U.S. Billion-Dollar Weather and Climate Disasters in Historical Context



Risk Management

- Workers Compensation Managed Care Program
 - Prompt Reporting
 - Return to Work/Modified Duty Program
 - Providers In-Network with Occupational Focus
 - Drug-free Workplace
- Employment and Hiring Practices
- Employee Training
- Written Safety Program
- Safety Incentive Program
- Designated Risk Manager
- Limit Use of Company Vehicles
- Motor Vehicle Record Program
- Policy Programming – Watch Your Deductibles
- Control Claims



Who Do We Want to Insure?

Company A

- Few claims
- Well maintained property
- Regular fleet maintenance
- Formal hiring and training program
- Active, on-going safety training
- Annual MVR reports on all drivers
- “No nonsense” management attitude

Company B

- Many claims
- Rundown property
- Fleet not maintained
- No formal hiring program
- Minimal safety training
- No driving standards set
- Indifferent management attitude



Take Ownership

- Meet annually with your agent before the renewal to review coverages.
- Review your loss history on an annual basis.
- Don't get caught in the apples-to-apples game. Your coverage needs to be written right to cover your exposures.
- Review all contracts before signing.



Please Complete the Online Evaluation



<https://www.surveymonkey.com/r/2024NationalSafetyProfessionalsConference>



Thank you!



This presentation is for general information and risk prevention only and should not be considered legal or coverage advice or an offer of insurance. All claims examples and other illustrations are meant for discussion only and coverage will be determined solely by the terms of your policy, if approved for issue. The information provided may be subject to federal or state laws and regulations and does not serve as a substitute for any laws or regulations. All products and services not available in all states. Qualified counsel should be sought with questions specific to your circumstances.

Federated Mutual Insurance Company • Federated Service Insurance Company*
 Federated Life Insurance Company • Federated Reserve Insurance Company* • Granite Re, Inc.*
 federatedinsurance.com | *Not licensed in all states. © 2021 Federated Mutual Insurance Company