



SBCA

PROPERTY AND CASUALTY INSURANCE
COVERAGE AUDIT



L O C K T O N C O M P A N I E S

DEAR SBCA MEMBER

The SBCA is pleased to announce it has teamed up with Lockton Companies and AmTrust Insurance to create a proprietary commercial insurance program for its membership. This insurance program is for all traditional lines of coverage—Property, General (Product) Liability, Commercial Auto, Umbrella, and Work Comp lines.

Based on Lockton's initial comparisons with a beta group of component manufacturers,

they found that the rates they will be able to offer through this program are some of the lowest that can be found in the marketplace, representing anywhere between 15-40 percent savings on annual premiums. In addition, many commonly found exclusions have been removed while the terms and conditions have been expanded, giving component manufacturers most significant coverage in vital areas at an overall lower cost. To top things off, there is an

impressive, potential dividend for all qualifying lines that will be available to participants once the asset threshold is met.

SBCA has worked hard over the past year to develop this partnership with Lockton and AmTrust as a way to provide real, monetary savings to its members. The significant savings on insurance premiums is made possible only through the way in which this program underwrites participants. Consequently,





the longevity and success of the program will be reliant on participants maintaining acceptable loss-run rates.

As such, SBCA, Lockton and AmTrust have established comprehensive criteria for program participants, including participation in industry-

specific best practices that have been developed, used, and proven effective by component manufacturers across the country. These best practices have been bundled together in the new and improved SCORE program. By implementing well-established industry best practices focused on product quality, production

safety, and risk management, program participants are taking actions that ultimately should result in lower incident and claim rates.



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Sample SBCA Program—Mock Coverage Assessment			
See NI Matrix for Named Insureds	Annual Term		
See Locations Tab for List of Locations	Exposure	Rates	Premium
Property		0.71	\$28,900
Building	\$1,592,150		
Contents	\$3,292,500		
Stock	\$500,000		
Blanket Business Income	\$2,000,000		
Equipment Breakdown	\$5,384,650		
Coinsurance	90%		
Deductibles	\$5,000		
Valuation	Replacement Cost		
Tentative Rate Endorsement	Included		
Deductibles—All other Perils	\$5,000		
Wind/Hail	5%		
Coverage Extensions			
- Debris Removal	\$10,000		
- Newly Acquired or Constructed: Buildings	\$250,000		
- Newly Acquired or Constructed: Contents	\$100,000		
- Newly Acquired or Constructed: Business Income	\$500,000		
- Newly Acquired or Constructed: Number of Days	60 Days		
- Fences	Included in Outdoor Property		
- Signs	\$10,000		
- Antennas	Included in Outdoor Property		
- Outdoor Property	\$1,000		
- Trees, Shrubs, Etc.	Included in Outdoor Property		
- Lights and Poles	Included in Outdoor Property		
- Accounts Receivable	\$100,000		
- Valuable Papers & Records	\$50,000		
- Property Off Premises	\$15,000		
- Salesman's Floater	Not Covered		
- Exhibition Floater	\$10,000		
- Personal Property of Employees	\$10,000		
- Fine Arts	Not Covered		
- Property in Transit	\$50,000		
- Employee Dishonesty	Not Covered		
- Money and Securities	Not Covered		
- Fire Department Service Charge	\$1,000		
- Fire Protective Equipment Recharge	Not Covered		
Additional Perils Covered:			
- Flood	Not Covered		
- Earthquake	\$250,000		
- Off Premises Utility Failure	\$50,000		
- Ordinance or Law Coverage	Included		
- Backup of Sewers and Drains	\$25,000		

Sample SBCA Program—Mock Coverage Assessment			
See NI Matrix for Named Insureds	Annual Term		
See Locations Tab for List of Locations	Exposure	Rates	Premium
General Liability		3.76	\$48,924
General Aggregate Limit	\$2,000,000		
Products - Completed Operations Limit	\$2,000,000		
Personal and Advertising Injury Limit	\$1,000,000		
Bodily Injury and Property Damage - Each Occurrence Limit	\$1,000,000		
Damages to Premises Rented to You	\$100,000		
Fire Legal	Included in Damages to Premises Limit		
Medical Expense Limit, Per Person	\$5,000		
Estimated Revenue	\$13,000,000		
Coverage Extensions			
- Per Project Aggregate	Not Covered		
- Per Location Aggregate	Not Covered		
- Blanket Additional Insured	Blanket Basis		
- - - Primary and Non-Contributory Wording	Included		
- - - Including Products and Completed Operations Coverage	Included		
- Fellow Employee Exclusion	Excluded		
Pollution	Total Pollution Exclusion Except for Hostile Fire		
Except			
Covers Hostile Fire	"Hostile fire, and building heating/cooling equipment; also covers bodily injury/property damage for which you may be held liable if you are contractor and owner has been added to your policy as additional insured because of ongoing operations"		
Covers Products	Excluded		
"Covers Limited Contractors Site"	Excluded		
"Covers Limited Mechanical on Mobile Equipment"	Excluded		
Professional	Excluded		
Recall	Excluded		
- Worldwide Territory	Not Covered		
- Broad Knowledge of Occurrence	Included		
- Unintentional Errors & Omissions	Not Covered		
- Host Liquor	Covered		
- Discrimination (non-employment)	Not Covered		
- Extended Definition of Bodily Injury	Not Covered		
- Railroad Limitation Deleted	Not Covered		
- Waiver of Subrogation	Scheduled Waiver Only		
Employee Benefits Liability			
- Each Wrongful Act Limit	\$1,000,000		
- Aggregate	\$2,000,000		
- Deductible	\$1,000		
Exclusions:			
- Employment Related Practices	Excluded		
- Asbestos, Lead, EIFS,	Excluded		

Sample SBCA Program—Mock Coverage Assessment			
See NI Matrix for Named Insureds	Annual Term		
See Locations Tab for List of Locations	Exposure	Rates	Premium
Automobile		\$2,805	\$48,000
Coverage Limits			
- Liability - Symbol 1	\$1,000,000		
- Personal Injury Protection - Symbol 5	Statutory		
- Medical Payments - Symbol 2	Covered		
- Uninsured / Underinsured Motorist - Symbol 2	Not Covered		
- Hired & Non-Owned Liability 7 - 8	Covered		
- Hired Car Physical Damage 7 - 8	Covered		
Deductibles			
- Collision Deductible	\$1,000		
- Comprehensive Deductible	\$1,000		
Rating:			
- Liability - Power Units	17		
Coverage Extensions			
- Broad Form Named Insured	Not Covered		
- Fellow Employee Exclusion Removed	Included		
- Drive Other Car Coverage	Not Covered		
- Broad Knowledge of Occurrence	Not Covered		
- Rental Reimbursement	Not Covered		
- Towing	Not Covered		
- Employee Hired Autos	Not Covered		
- Rental Vehicle Loss of Use	\$20/Day - \$600 Max		
- Employees as Insured	Not Covered		
- Unintentional Errors & Omissions	Not Covered		
- MCS 90 Form	Not Filed		
- Loan / Lease Gap Coverage	Not Covered		
- Accidental Discharge of Airbags	Not Covered		
- Automatic Fleet Coverage	Not Covered		
- Waiver of Subrogation	Pre-Loss Wording		
- Blanket Additional Insured	Not Covered		
- Blanket Loss Payee	Not Covered		
- Waiver of Glass Deductible	Not Covered		
- Extended Definition of Bodily Injury	Not Covered		
Umbrella		1.14	\$12,224
Each Occurrence Limit	\$5,000,000		
Aggregate Limit	\$5,000,000		
Retained Limit	\$10,000		
Coverage Extensions			
- Per Project Aggregate	Not Covered		
- Per Location Aggregate	Not Covered		
- Blanket Additional Insured	Follow Form		
- Blanket Waiver of Subrogation	Follow Form		

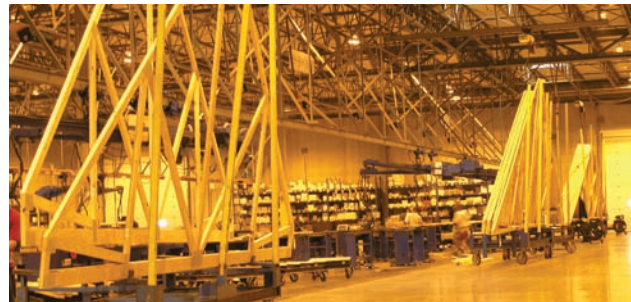
COVERAGE GAP ANALYSIS AND STRATEGY SUMMARY

Each and every insurance policy is subject to limiting terms and conditions. What is most important when structuring a program is identifying those areas of risk that are best addressed through the function of risk transfer which an insurance policy provides. The typical coverage assessment conducted for SBCA members produces several key coverage gaps on each line of business that are unsustainable and must be remedied as quickly as possible.

The SBCA member's property program tends to be a very straightforward policy in that it has a few enhancements thrown in to act as a buffer in the event of a loss, but does not address items specific to the exposures. Critical errors that could prove incredibly impactful in the event of a loss include the 90 percent coinsurance clause, the tentative rate endorsement, and the absence of flood coverage.

The SBCA member's casualty program includes the general liability, automobile, and umbrella liability. Two vital endorsements are often omitted from the general liability and umbrella policies: Per location aggregate and the absence of products coverage for additional insureds. Impactful coverage enhancements are usually overlooked on both the general liability and automobile policies as noted in the mock coverage assessment.

Many improvements can be made, and the deductibles should be studied to determine cost efficiencies.



Finally, how are professional liability exposures being addressed? We find that most SBCA members are currently without coverage.

Overall, several key elements of the insurance programs are enhanced while also finding cost savings.

Line of Business	Current Premium	Lockton Targets
Property	\$28,900	\$26,500
General Liability	\$48,924	\$19,861
Automobile	\$48,000	\$40,760
Workers' Compensation	To Be Determined	To Be Determined
Umbrella	\$12,224	\$1,200
GRAND TOTAL=	\$138,048	\$88,321

Our Mission

To be the worldwide value and service leader in insurance brokerage,
risk management, employee benefits, and retirement services

Our Goal

To be the best place to do business and to work



www.lockton.com