
HAVE YOU GOT IT COVERED? INSURANCE 101 – THE BASICS



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CONFERENCE



Who are we?...Why are we here?

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Who are you?...Why are you here?

What’s the #1 thing you want to learn from this session?



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What we hope to teach you today?

- ❑ A little bit about **Heat Mapping** to assess your organizational risks (10 min)
- ❑ Setting an **Insurance Budget** (5 min)
- ❑ The fundamentals of **Insurance Program Design** (10 min)
- ❑ The basics of coverage for **Operational Liability, Management Liability & Asset Protection** (25 minutes)
- ❑ How these coverage's respond to **Claims** (30 minutes)



Insurance Program Design -Start with Risk Assessment

1. **Identify** - make a list of *your top organizational and programmatic risks*
2. **Quantify** – **heat map** your top risks using the principals of **frequency & severity**
3. **Assess** – the effectiveness of your risk management in **reducing your top risks**
4. **Address** – how you can **transfer your risks without insurance**
5. **Address** – how you can **transfer your risks using insurance**

Design your insurance program based on your Risk Assessment & Budget



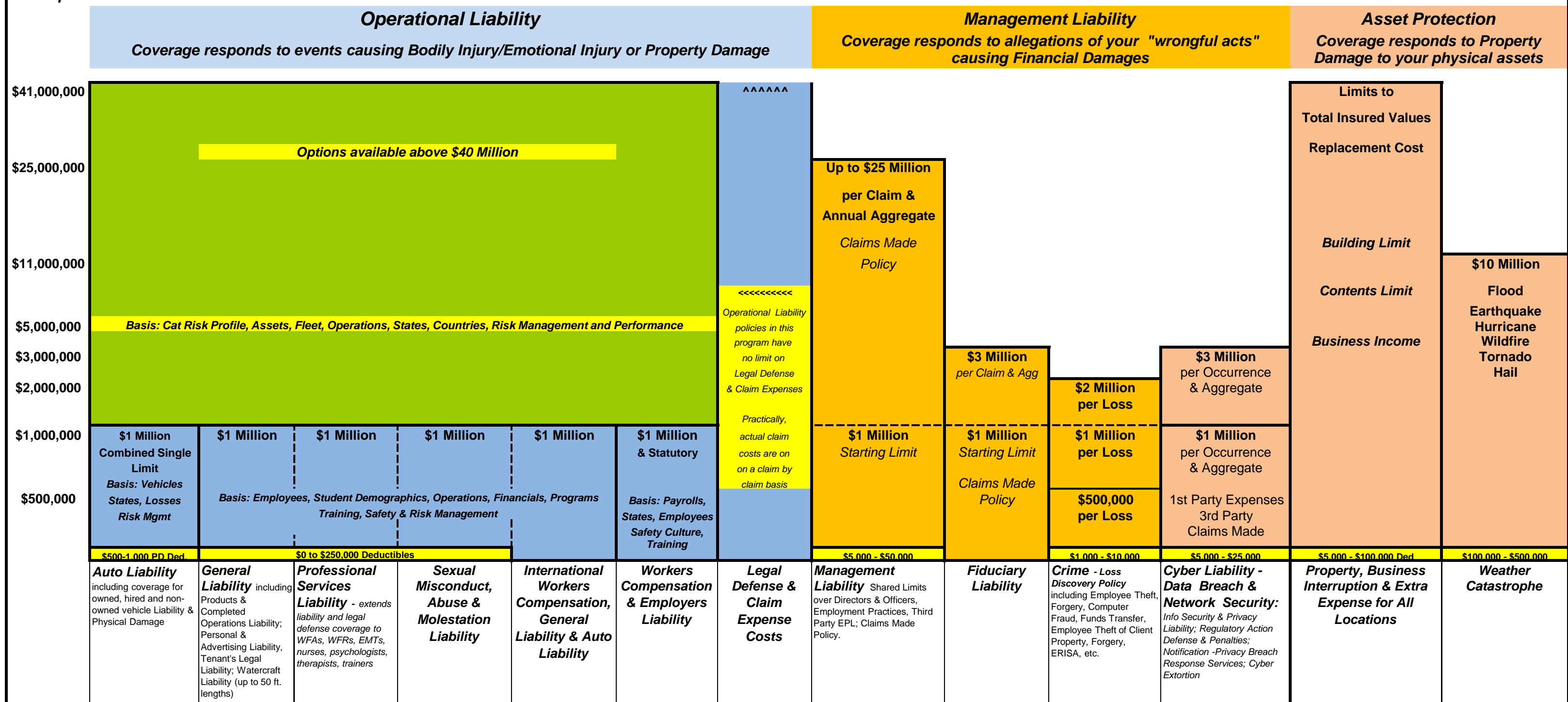
ASSESS THE RISKS – HEAT MAP

CONSEQUENCE/SEVERITY/IMPACT		PROBABILITY/LIKELIHOOD/FREQUENCY		
		UNLIKELY	LIKELY	HIGHLY PROBABLE
SIGNIFICANT CATASTROPHIC				
	MODERATE			
	INSIGNIFICANT LOW			

**Fred C. Church Sample Insurance Program Illustration - Outdoor + Adventure Practice
Sample Design for Large Experiential Educators - U.S. & International**

Risk Transfer Rate = Total Premium Cost as a Percentage of Annual Revenue, ranges based on quality of insurance program and risk profile of client.

Limits per Occurrence/Claim



Major Coverage's, Limits & Deductibles

This document is a symbol of coverage only; the policy contains additions, exclusions, and/or limitations that are not shown here. Please refer to the policy or contact Fred C. Church Insurance for complete coverage details.

The Basis of Liability – 4 Elements of Negligence

Duty Owed

Duty Breached

Breach of Duty was the Proximate Cause of...

Actual Damages

Actual Damages can be bodily/emotional injury, physical damage, financial damage



Operational Liability

General Liability

Auto Liability

Workers Compensation

International Travel Liability

Umbrella Liability

Coverage triggered by Third Party Injury / Damage or Employee Injury



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General Liability

- **Common Limits of Liability are \$1 Million per Occurrence** / \$2 Million Annual Aggregate Limits of Liability for Awards & Settlements
- **Legal Defense** Cost usually in addition to the Limits of Liability
- Covers **Bodily Injury, Property Damage**, Personal Injury and Medical Payments
- **Insurer** has the Right & **Duty to Defend** & Fight or Settle in most cases
- **Additional Insured** (as required by contract)
- **Blanket Waiver of Subrogation** (as required by contract)
- Coverage Territory
 - **USA only?**; Often worldwide coverage only if trip is temporary and suit brought in USA



General Liability – Common Exclusions / Restrictions

- **Designated Activity Exclusions**
- Contractual Liability; exception to exclusion BI/PD in “insured contract”
- **Understand contracts with third parties**
- Workers Compensation; Employment Liability; Stop Gap Liability
- Pollution
- Aircraft, Auto, Watercraft

- Understand watercraft exclusions/restrictions/length of boat
- Mobile Equipment (vehicles designed for off roads)
- **Malpractice/Professional Liability**
- Add coverage for guides/counselors
- Understand who is required to be licensed
- **Sexual Abuse/Misconduct**
- Mental Anguish
- Liquor Liability



Auto Liability & Physical Damage

- **Combined Single Limit of Liability - \$1 Million per Accident** – Injury & Damages to others
- **Comprehensive & Collision** – Damages to your Vehicles
- **Symbol “1”** – all vehicles
 - Understand registration requirements – vary by state
- **Hired & Non-Owned** Auto Insurance
- Make sure employees understand organization’s Liability and Physical Damage coverage for rental vehicles
 - Buy or not buy coverage from rental agency?
 - Business and personal use concerns
- **Employees use of Personal Autos for business**
 - Liability – Employee’s Policy Primary; Organization’s Policy Excess
 - Physical Damage – Employee’s Policy Only
- Trailers
 - Liability/Physical damage
 - Size/Weight
- Un and Underinsured Motorist Coverage
- **Insurer Enhancement Endorsements**



Workers Compensation & Employers Liability

- Coverage is **no fault**, requiring no legal action by the employee against their employer to prove negligence. Coverage is for employees who are injured on the job during work hours and is the **sole remedy for injured employees**.
- Coverage generally **does not apply before or after work hours or during the commute**.
- Coverage does apply during work required travel within the U.S.
- Coverage is for **medical costs and lost wages** with each state having its own WC laws & regulations that must be adhered to by the insurance companies & organizations doing business within any given state.
- Coverage is **intended for work in the U.S.** but dependent on the insurer **can be extended** by the WC insurer **for international work by traveling U.S. employees**
- **Employers Liability** is a separate coverage that **can apply in extreme negligence** situations where the employee is allowed to sue their employer.



International Travel Liability

- **Intended to replicate U.S. WC & Liability coverage for international programs**
 - General Liability – common limits of \$1 to \$5 Million
 - Auto Liability- common limits of \$1 to \$5 Million
 - Workers Compensation
 - Evacuation & Repatriation of staff and participants / Limited Accident Medical
- Coverage is intended for **occurrences (accidents) that happen outside the U.S.**
- Coverage for **legal action / settlements brought in the U.S. and internationally**
- Very limited number of insurers for student – youth travel
- **Sexual Misconduct Liability often excluded**
- **Beware of Injury to Participant, Activity & Country Exclusions**
- **Travel & Tour Operators** combined General & Professional Liability programs are available



Umbrella Liability

- **How much is enough?...How much can you afford?...Heat Map**
 - Defense & Settlement – Limits can range from \$1 - \$50 Million+
- **Limit provided in excess of** bodily injury & property damage underlying coverages:
 - General Liability
 - Auto Liability
 - Employers Liability (imbedded coverage in Workers Comp policy)
 - International Liability - depends on domestic insurer
 - Sexual Misconduct – depends on insurer if excluded or sub-limited
- **Usually Not:**
 - Directors & Officers, Employment Practices Liability
 - Professional Liability
 - Fiduciary Liability



Management Liability

Directors & Officers Liability

Employment Practices Liability

Fiduciary Liability

Crime

Cyber Liability

Coverage triggered by Financial Damages to 3rd Parties or Employees



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Directors & Officers Liability (D&O)

- **Covers entity and individual board members, managers**
- Covers legal defense costs and settlements for alleged **wrongful acts (breach of duty)**
 - **Common Limits of Liability/Defense costs are \$1 to \$10 Million per Claim / Aggregate**
 - Litigation can be lengthy, emotionally draining and time consuming
 - **Reputation issues** can be significant
 - **Very Low Claims Frequency / can be High Severity...Heat Map**
- **Sources of suits**
 - Donors, beneficiaries, members
 - AG, governmental officials involving anti trust/anti competition, tax issues, misallocation of funds
 - Creditor suits, Breach of contract suits
 - Governance/improper voting
 - Breach of Fiduciary Duty
 - Loyalty, care, state non-profit laws / Loss of tax status
 - Mismanagement leading to bankruptcy



Employment Practices Liability (EPL)

- **Common Limits of Liability/Defense are \$1 - \$3 Million per Claim / Aggregate**
- Discrimination of all types
- Wrongful Termination
- Sexual Harassment
- Failure to Hire / Promote
- Hostile Work Environment
- **High Claims Frequency / Low to Moderate Severity**



Fiduciary Liability (FID)

- **Common Limits of Liability/Defense costs are \$1 - \$2 Million per Claim / Annual Aggregate**
- Organizations maintaining **employee benefit plans** should purchase this coverage
- Protects plan fiduciaries against claims alleging:
 - breach of duties to plan, its participants and their beneficiaries
 - claims out of errors and omissions and administration of plans
 - Excessive Fee Litigation – Do your plan review due diligence
- **Not covered elsewhere:**
 - Employee Benefit Liability (on CGL) provides protection for administrative errors - does not cover breach of fiduciary duty under ERISA
 - Specifically excluded in D&O and EPL
 - Crime covers Employee Theft from Plan (as required by ERISA) but not breach of fiduciary duty



D&O / EPL / FID – Important Considerations

- **Claims Made Policies** – policy responds to when the claim was made as opposed to when the wrongful act occurred
- **Full Prior Acts** Coverage or Occurrence Retroactive Dates very important
- Duty to Defend policies
 - **Insurance carriers select and control defense and settlement**
- Completing applications
 - **Warranty and Prior Known Acts coverage/restrictions**
- EPL – **Third Party** coverage
- EPL – Wage & Hour violations (excluded or sub-limited)
- **Deductibles** – can be significant for D&O, EPL starting at \$10,000 per Claim



Crime & Social Engineering Fraud

Crime

- **Common Limits \$100,000 - \$2 Million**
- Covers the **Inside & Outside Jobs**
 - Employee Theft / **Embezzlement**
 - Forgery & Alteration
 - Computer Fraud
 - **Funds Transfer Fraud**
 - Money Orders & Counterfeit Currency
 - Credit Card Fraud
 - Client Coverage (students)
 - Claim Expense (can be expensive – forensics)

Social Engineering Fraud/Fraudulent Instruction

- **Common limits are \$50,000 to \$250,000**
- “human hacking”
- Art of influencing people to disclose information and getting them to act imprudently
- **Excluded from most Crime Policies – need to ask to add**
- Training/Awareness



Cyber Liability – Data Breach – Network Security

- **High frequency** of claims – **Ransomware, Denial of Service & Data Breaches**
- Cybersecurity a must – Audit, **MFA, encrypted back-ups, employee training**, etc.
- Be prepared – create an **Incident Response Plan**
- Insurance Considerations
 - **Third Party Liability** – **Common Limit of Liability \$1 - \$2 Million per Claim** and Annual Aggregate
 - Defense costs included in Limit of Liability
 - Regulatory defense & penalties
- **First Party Coverage – Common Limits - \$1 - \$2 Million** EXCEPT **Social Engineering at \$50k - \$250k**
 - Cyber Extortion; ransom attacks
 - Breach Response - Forensics and legal costs
 - Customer notification requirements and costs
 - Credit / ID Theft Monitoring services
 - Crisis management (PR)
 - Social Engineering Fraud/Fraudulent Instruction/Invoice Manipulation



Asset Protection

Property – Buildings, Improvements & all your Stuff

Business Interruption / Extra Expense

Catastrophe Coverage – Wind / Flood / Wildfire / Earth Movement

Coverage triggered by sudden & accidental damage by a covered peril



The Basis of Asset Protection

- 1. *Know your Property Values:*** Rebuild/replacement cost of your buildings & contents
- 2. *Know your major property damage risks:*** Fire, Flood, Wind, Earth Movement
- 3. *Know what it costs you to get back in business:*** after the fire, flood, wind...
- 4. *Determine your Probable Maximum Losses (PML)***
- 5. *Reduce your PMLs through property loss prevention and disaster recovery plans***



Property & Business Interruption

- All locations / buildings listed on your **Statement of Values**
- **Property Risk Profile** – Construction + Occupancy + Protection + Exposure
- **Vacancy / un-occupancy restrictions**
- **Business Interruption / Extra Expense**
 - Direct physical damage coverage trigger
 - Civil Authority - closure due to governmental authority
- **Flood** / Earthquake / Tornado / **Hurricane** / Hail / Named Storm / **Wildfire**
- Inland Marine
 - Miscellaneous equipment away from premises



NOW WE HAVE A CLAIM OR POTENTIAL CLAIM... WHAT HAPPENS?



Claim Scenario #1

A Tragic Staff Fatality and Severe Student Injury

- 30 year old camp staff member electrocuted while pulling a sailboat on a trailer with the mast up. The accident occurs on camp property and this was the first time the staff member had ever pulled the sailboat trailer.
- Student participant sitting in the passengers seat is badly injured but will fully recover.
- Two corporate entities under one organization: 1) Camp Operations, Inc. and 2) Camp Property Owner, Inc. both on one insurance program.
- Camp Ops vehicle and sailboat were both damaged.
- The utility owned the pole and the wires that were damaged.

You are the insurance broker, this is your client...they have called you to report what happened...which insurance companies are you going to put on notice of a claim? And what specific coverage's do you think will/could apply to this accident?



Claim Scenario #2

Potential Wrongful Termination?...of who?

- You are the HR Manager and your most senior and respected Program Director comes to you to discuss the erratic behavior, missed work time and poor performance of one of the crew leaders and is recommending termination.
- You meet with your Executive Director and the two of you decide that the circumstances could warrant letting the crew leader go. You meet with the crew leader to discuss the situation and notify of the possibility of termination.
- In the meeting the crew leader tells you that they had a consensual relationship with the PD that ended a month ago BUT the PD would not accept the end of the relationship and was making unwanted advances, communicating aggressively and inappropriately making it very difficult for the crew leader to perform their job.

What do you do next?...Does this warrant a call to your insurance broker at this point?

You are the insurance broker and receive a call on this situation...what insurance / services could apply in this situation at this stage?...what are the claim scenarios that could develop?



Claim Scenario #3

Do any of you have any past, present or potential claims you want to talk about?

