



PRELIMINARY REPORT ON INSURANCE

May 27, 2020

Background

There were a number of insurance-related questions at the April Board meeting. Instead of a full presentation of insurance coverages in May, we thought a more logical sequence was for Pam Kaufmann of Hanson Bridgett to give a high-level opinion about liability, insurance, indemnification, and public policy developments as a foundation to a discussion about insurance.

That said, we have included this preliminary report as a preview of the later discussion. It is in the format of FAQs.

FAQs

How does the pandemic affect our coverages? *Pandemics are excluded from coverage, but Heffernan cannot think of a scenario in which we are not covered under (especially) professional practices insurance because COVID-19 would be defined as a pathogen, which is covered. Ultimately, this may be decided by the courts. All businesses are affected by this gray area.*

Do we have umbrella insurance? *We have equivalent protection with excess liability coverage (\$5M). Umbrella's slightly wider reach is mainly for protection against oddball situations and is not a good buy.*

Do we have Directors' & Officers' insurance? *Yes, we do (\$5M). Note that excess liability does not extend D&O coverage. We have requested quotes for higher D&O limits and will explore endorsements for specific coverages we might find valuable.*

Do we have Earthquake Insurance? *No, we do not. It's been several years since we reviewed this so we have asked for pricing for our consideration.*

Should we increase our limits overall? *This will turn out to be tough judgment calls. On the one hand there has been an increase in the number of class actions and large jury awards that are not being overturned. On the other hand, the market has hardened and likely will continue to harden. This will drive up premiums. We'll have to make cost-benefit choices. We'll share numbers with the BOD.*

Issues on the horizon? *Workers comp will be a big issue going forward. Governor Newsom's decision re coverage for C-19 could add as much as \$1B in added claims and has caused some major players to leave the California market. This will reduce access and drive premiums higher. Our carrier, Berkshire Hathaway, remains in the market at this point. We will also review our business interruption coverage, with potentially higher limits (but see push-pull of raising limits above).*