

## Insurance Committee Report

### Atlanta GA

1. The Committee issued a preliminary report on June 17 (exhibit 1). A summary of liability coverage was distributed at the same time.
2. Management invited two representatives of Willis of Tennessee Inc. (an international insurance consultant). John Shorten (V.P.) and his assistant Darrison Wharton met with the Committee in Atlanta and extensively discussed our problem areas concerning liability issues with regard to our Districts and Units. We had asked them to provide us with a premium quotation by September 1, 2005 (if possible) since the present D&O policy for districts and Units expires on September 30, 2005. It is highly unlikely that a change may be made this year. The committee would like to stress the importance of the general liability policy (covering libel, slander, defamation besides bodily and personal injury as well as property damage) that is presently being highly ignored even by those Units and Districts that purchased D&O policies. We'll also check the availability of obtaining Employers Liability Policy. We also intend, with our Board's approval, to investigate liability insurance options for clubs.

Please find enclosed a brief description of Directors and Officers coverage (exhibit 2) and a copy of presentation received from Willis Inc. (exhibit 3)

3. Committee reviewed the Health Insurance Plans that are made available to two groups of employees (Headquarters and Tournament Directors). Copy of report is enclosed for your convenience. (exhibit 4)

A brief summary of the trend in premiums increase over the past five years appears below covering the years from 2000 to 2005.

Headquarters			Tournament Directors		
Total Premium	Employer's Share	Employee's Share	Total Premium	Employer's Share	Employee's Share
80%	85%	58%	126%	136%	77%
Percentage paid by Employees in 2005		18.4%			14.7%

Management recognizes in a responsible manner that according to national figures employees contribute 25 – 30% of total premium and intends to increase employees contributions to 25% over the next five years and seeking other ways (co-insurance, adjustment of deductibles) to control this cost.

4. Committee briefly reviewed the ACBL Pension Plan and 401K Plan. With the Board's permission, we'll pursue this matter with a view to make some recommendations.

5. With the Board's permission, the Committee will review our property insurance coverage with a view to make recommendations.
6. It was agreed that it would be counterproductive to seek insurance quotations every year. Management should actively ask for competitive bids in a timely manner every three years.

Committee members present:

Bill Cook  
Richard DeMartino  
Barbara Nist  
Craig Robinson  
Jack Zdancewicz  
George Retek (chair)

Other Committee Members

Darwin Afdahl  
Cherie Turman

Montreal, June 17, 2005

**ACBL INSURANCE COMMITTEE (I.C.)**

*Preliminary report on Directors and Officers Liability Policy to the ACBL Board of Directors  
Summer 2005 meeting.*

---

1. *The I.C. believes that the ACBL should provide the insurance coverage to all Units and Districts. We should not ask our volunteers who serve on these Boards to risk their own personal assets while serving us.*
2. *The I.C. recommends that the provision of this coverage be a revenue neutral to the ACBL, i.e: (whatever this will cost – and we hope it will be a reasonable amount, that we may know by Atlanta – will be passed on to the Units and Districts in some fashion, like increased sanction fees).*
3. *Bill Cook has made an excellent summary of our present liability insurance coverage, that is enclosed for your view.*
4. *The I.C. will discuss in Atlanta what coverage, if any, should be provided to clubs.*
5. *With the permission of the Board, our Committee intends to review and make recommendations in the following areas:*
  - Property Insurance*
  - Health Care Insurance*
  - Pension Plan*

*Committee members present:*

*Darwin Afdahl  
Bill Cook  
Richard DeMartino  
Barbara Nist  
Craig Robinson  
George Retek (chair)*

*Other Committee Members*

*Jack Zdancewicz  
Cherie Turman*

## **DIRECTORS AND OFFICERS COVERAGE**

**This coverage protects your directors, officers, trustees, committee members or employees of the organization from claims arising from alleged wrongful acts.**

### **What is Director & Officers Liability Insurance?**

Insurance protection for directors, officers, trustees, committee members or employees from claims arising from wrongful acts.

Wrongful acts are defined as: any or alleged error or misstatement or misleading statement or act of omission or neglect or breach of duty solely with respect to the individual or collective duties within the organization.

Does not protect against libel, slander or defamation.

### **What is General Liability Insurance?**

Insurance protection from claims arising from alleged bodily injury, personal injury, or property damage liability. Does provide protection on suits for libel, slander and defamation (related to a covered event).

### **What do our existing insurance (ACBL) policies cover?**

- a. General Liability: Injury/damage at ACBL sanction events.
- b. Umbrella Policy: Increases dollar coverage on General Liability
- c. Crime Policy: Protection after Treasurer receives monies

### **What are some of the obvious risks that are not covered by existing insurance?**

Units, Districts and the ACBL will never receive insurance protection against illegal acts. For example, if a Unit decides that they do not need to file a tax return, this is a tax law violation and would not be protected by any coverage.

Wrongful acts by Unit/Districts. Example would be the authorization of games which conflicted against another game(s) and the injured tournament host files suit for damage.

Injuries to employees are not covered under the General Liability policy. Employees must be covered by the individual Unit or District Workmans Compensation Insurance.

Libel, slander or defamation growing out of an incident or incidents not related to a covered regional, sectional, STaC, NAOP or GNT.

### **Why is ACBL pursuing the subject of insurance for Units and Districts?**

It is in the spirit of listening to our members and Board of Directors and providing what they may need that we offer this insurance. The assistance in obtaining these

coverage have been requested directly to the ACBL and through individual District Directors.

### **Is the ACBL recommending that Units and Districts purchase this insurance?**

ACBL management feels that it is our responsibility to point out potential gaps in insurance coverage of Unit and Districts and to negotiate the best possible premium for these coverages. We recognize the importance of adequate insurance coverage and may be able to exercise some financial muscle in obtaining better coverage and rates than the single Unit or District applying on their own. We also recognize that everyone is different and has different insurance needs. These proposed coverages are being made available to assist Units and Districts if they feel that these coverages are important to them and if they feel rates are reasonable and affordable.

### **How does the ACBL Management recommend that Units and Districts evaluate these insurance proposals?**

The matter of insurance coverage is a very serious subject that should not be taken lightly or solved through convention channels. We have had as independent insurance consultant who is prominent in his profession and is a bridge player look at our coverage. He “recommends the D&O policy for Units and Districts” and feels that the annual premium is reasonable. You may feel it is appropriate to confer with some local insurance professional or an attorney knowledgeable in this field for additional guidance about how this relates to your specific Unit/District and the reasonableness of the premium.

### **Are Districts and Units Conduct and Ethics Committees covered under the current D&O Policy of the ACBL or the General Liability Policy? What about coverage for such committees under the proposed policies?**

Absolutely, committee members are protected under the ACBL General Liability policy for actions such as slander, libel, and defamation and other insured occurrences stemming from an incident which occurs during a regional, sectional, STaC, GNT or NAOP covered event. Committee members are not covered under the ACBL Districts and Officers Liability policy. The two coverages that ACBL proposes to Units and Districts, D&O and General Liability insurance, will provide coverage to all committee for Wrongful ACTS (D&O) and for regular, daily (previously referred to as non-sanctioned) activity (General Liability).

### **Directors and Officers Insurance Policy offered to Units and Districts.**

Directors and Officers Insurance:

Policy offered through Lipscomb and Pitts Insurance company and underwritten by St. Paul Travelers Insurance Company.

Covers:

Claims arising from alleged wrongful acts by directors, officers, trustees, committee members, or employees of the organization.

Wrongful acts are defined as an actual or alleged error or misstatement or misleading statement or act of omission or neglect or breach of duty solely with respect to the individual or collective duties within the organization.

Does not protect against libel, slander or defamation.

Premium:

The annual premium for Units is \$475 and for Districts is \$1,270 with a renewal date of September 30, 2005. Premiums are prorated as purchased.

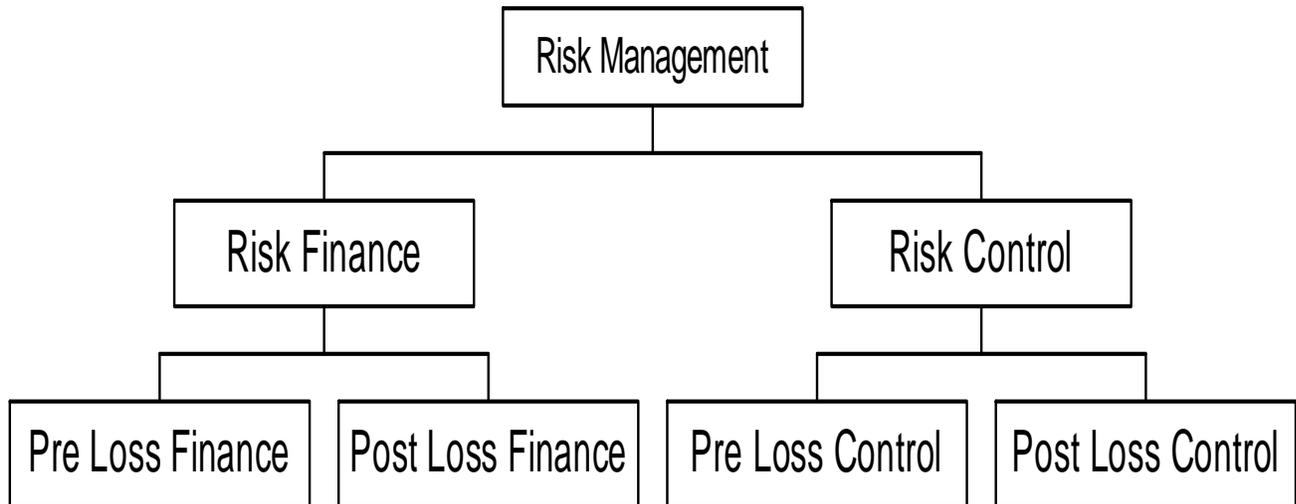
American Contract Bridge League  
Program Discussion  
July 19, 2005

Presented by  
**WILLIS**

Meeting Agenda

- I. View of Risk
- II. Loss History
- III. Estimation of Premium
- IV. Risk Assessment
- V. Risk Control
- VI. Conclusion

## I. View of Risk



## II. ACBL: Units & Districts Loss History

Policy Year	Total Incurred	Claim Count
05/01/2004 – 05/01/2005	\$15,957	9
05/01/2003 – 05/01/2004	\$10,456	4
05/01/2002 – 05/01/2003	\$3,439	4
04/01/2001 – 04/01/2002	\$52,005	8
04/01/2000 – 04/01/2001	\$228,747	3
04/01/1999 – 04/01/2000	\$7,943	5
04/01/1998 – 04/01/1999	\$13,330	7
Total	\$331,877	40

## III. Estimation of Premium

- 5 year average Claims \$62,000
- Add on \$78,000
  - Profit Margin
  - Broker Commission

- Administration Cost
- Risk Exposure Charge
  
- Premium estimate \$140,000
- 10% of Tournament Revenue !!
- How does one manage this cost?

## IV. Risk Assessment

- Goals
  - Keep individuals from getting hurt
  - Protect assets of Units and Districts
  - Protect assets of ACBL
  
- Recognize potential events with negative impacts
- Dealing with Risk
  - Avoidance
  - Risk mitigation
  - Risk transfer
  - Acceptance
  - Substitution
  - Administrative procedures / safe practices

## V. Risk Control

- Definition
  - Any conscious action (or decision not to act) that reduces the frequency, severity, or unpredictability of accidental losses
- Three aspects
  - Focus is on actual harm, not on money paid

- Effect of risk control can only be measured from the perspective of a given entity
  - A risk control measure is risk control only for one specified exposure
- Underlying objective – reduce total costs of organization’s total cost of risk
- Loss Reduction (Reducing Severity)
  - Jurisdiction
    - Getting contractual agreement
    - Changing jurisdiction
- Resolution
  - Negotiating
- Severity of harm
  - Mitigating harm
  - Negotiating
- Degree of culpability
  - Treating claimants fairly
- Legal defense
  - Preserving defenses
  - Selecting and cooperating with legal counsel

## INSURANCE COMMITTEE

Attached is a description provided by Management of the Health Insurance Plans, separately for Headquarters and Tournament Directors. Pages 1 and 2 show type of plan, monthly rates, total premiums and % of premiums paid by the employees. Data is included for the past six years, counting 2005.

Pages 3 and 4 show details of the Health Insurance Plans in effect for 2000 – 2005, once again shown separately for Headquarters and Tournament Directors.

Following are the total premium amounts and percentage increases for the past five years:

<u>Year</u>	<u>Headquarters</u>			<u>Tournament Directors</u>		
	<u>Total Premium</u>	<u>% Increase</u>	<u>Employee Contribution %</u>	<u>Total Premium</u>	<u>% Increase</u>	<u>Employee Contribution %</u>
2005	\$560,961	8.8%	18.4%	\$310,420	13.8%	14.7%
2004	511,811	13.8%	15.0%	267,461	16.1%	11.3%
2003	441,003	8.8%	17.0%	224,360	8.9%	14.5%
2002	402,026	4.4%	19.0%	204,455	25.7%	18.2%
2001	384,473	18.8%	20.9%	151,870	9.5%	18.7%
	%increase over 5 years = 80%			%increase over 5 years = 126%		

Possible Actions to Consider (I anticipate that Committee members may wish to add to this list)

1. Implement changes to deductibles, copays, etc. to decrease costs.

Comments: It appears that Management has been diligent in doing this. For example, deductibles have increased from none in 2003 for Headquarters to \$500 single/1,000 family over the past two years. For Tournament Directors, current deductibles are \$750 single/1,500 family. Copays have also increased.

2. Consider increasing the % paid by employees.

Comments: Employee contributions as a percentage of premiums have dropped from 2001 - 2005. These percentages are now below the contributions required by most corporations. We must keep in mind when discussing this subject that the increases in deductibles over the past two years represent increased costs for the employees as well (e.g., an increase from \$500 to \$1,000 in the deductible will cost each employee with at least \$1,000 in annual medical expenses an additional \$500 per year).

Rich DeMartino

Health Insurance Data - ACBL

Policy Yr Ending	Insurance Carrier	Type of Insurance	Total Monthly Rate		Employee Monthly Rate		Empl. Count	Total Premiums	%Paid by Employee
			No Dependents	With Dependents	No Dependents	With Dependents			
<b>Headquarters</b>									
2000	Prudential	POS	\$ 264.21	\$ 666.40	\$ 40.00	\$ 150.00	35	179,132.00	15% / 22.5%
2000	Prudential Combined	HMO	\$ 202.86	\$ 511.65	\$ 40.00	\$ 150.00	34	<u>133,147.00</u>	19.7% / 29.3%
	Total							312,279.00	
2001	Prudential	POS	\$ 330.26	\$ 833.00	\$ 48.00	\$ 180.00	31	230,324.00	14.5% / 21.6%
	Prudential Combined	HMO	\$ 253.58	\$ 639.56	\$ 48.00	\$ 180.00	25	<u>154,149.00</u>	18.9% / 28%
	Total							384,473.00	
2002	UHC	PPO	\$ 312.59	\$ 787.81	\$ 48.00	\$ 180.00	67	402,026.00	15.3% / 22.8%
2003	UHC	PPO	\$ 350.10	\$ 882.35	\$ 48.00	\$ 180.00	68	441,003.00	13.7% / 20.4%
2004	UHC	PPO	\$ 395.41	\$ 991.55	\$ 48.00	\$ 180.00	67	511,811.00	12% / 18%
2005	UHC	PPO	\$ 405.34	\$ 1,021.57	\$ 70.00	\$ 200.00	68	560,981.00	17.26% / 19.58%

Cost Sharing 2000 - 2005

Health Insurance Data - ACBL

Policy Yr Ending	Insurance Carrier	Type of Insurance	Total Monthly Rate		Employee Monthly Rate		Empl. Count	Total Premiums	% paid by Employee
			No Dependents	With Dependents	No Dependents	With Dependents			
<b>Tournament Directors</b>									
2000	Prudential	POS	\$ 264.21	\$ 666.40	\$ 40.00	\$ 150.00	29	\$ 137,516.00	15.13% / 22.51%
2001	Aetna	POS	\$ 416.85	\$ 721.89	\$ 48.00	\$ 180.00	30	\$ 151,870.00	11.51% / 24.93%
2002	Aetna	POS	\$ 471.82	\$ 961.08	\$ 48.00	\$ 180.00	28	\$ 204,466.06	10.17% / 18.73%
2003	Aetna	POS	\$ 531.41	\$ 1,084.87	\$ 48.00	\$ 180.00	28	\$ 224,359.75	9.03% / 13.49%
2004	UHC	POS	\$ 529.51	\$ 1,334.38	\$ 48.00	\$ 180.00	30	\$ 267,481.00	9.06% / 13.49%
2005	UHC	POS	\$ 554.75	\$ 1,398.13	\$ 80.00	\$ 210.00	31	est. \$310,420.00	14.42% / 15.02%

**Note: For years 2001 through 2003, the tournament directors were enrolled in 1 of 15 regional provider networks. The total The total monthly rates reflect the average total cost.**

Cost Sharing 2000 – 2005

Medical Carrier	Plan Year	Office Visit Copay	In-patient Hospital confinement & related services	In-patient Surgery	Out-patient surgery	RX benefit for POS plan	Emergency Room	Calendar Yr Deductible (CYD)	Out-of-pocket Maximum per year
<b>Headquarters</b>									
Prudential Insurance POS plan	2000	\$10 Primary Care doctor or Referral physician. 90% coverage.	No copayment 90% reimbursement of discounted fees.	No copayment 90% reimbursement of discounted fees.	No copayment 90% reimbursement of discounted fees.	\$50 CYD, then 70% reimbursement	\$50 copay	None	\$1,000 per person
Prudential Insurance POS plan	2001	\$10 Primary Care doctor or Referral physician. 90% coverage.	No copayment 90% reimbursement of discounted fees.	No copayment 90% reimbursement of discounted fees.	No copayment 90% reimbursement of discounted fees.	\$50 CYD, then 70% reimbursement	\$50 copay	None	\$1,000 per person
Prudential Insurance POS plan	2002	\$10 Primary Care doctor \$20 Specialist copay	\$300 in-patient copay	No copayment	\$300 out-patient surgery copay	\$7, \$20, \$50 drug copay	\$100 per visit	None	\$1,000 per employee; \$2,000 per family unit
United Healthcare PPO	2003	\$10 Primary Care doctor \$20 Specialist copay	\$300 in-patient copay	No copayment	\$300 out-patient surgery copay	\$7, \$25, \$50 drug copay	\$100 per visit	None	\$1,000 per employee; \$2,000 per family unit
United Healthcare PPO	2004	\$15 office visit copay	No copayment	No copayment	No copayment	\$10, \$25, &40 drug copay	\$100 per visit	\$250 single/\$500 family	\$2,500 per employee; \$5,000 per family unit
United Healthcare PPO	2005	\$15 office visit copay	10% copayment after meeting CYD	10% copayment after meeting CYD	10% copayment after meeting CYD	\$10, \$25, &40 drug copay	\$100 per visit	\$500 single/\$1,000 family	\$2,500 per employee; \$5,000 per family unit

Benefit History 2000 - 2005

ACBL

Medical Carrier	Plan Year	Office Visit Copay	In-patient Hospital confinement & related services	In-patient Surgery	Out-patient surgery	RX benefit for POS plan	Emergency Room	Calendar Yr Deductible (CYD)	Out-of-pocket Maximum per year
<b>Tournament Directors</b>									
Prudential Insurance POS plan	2000	(note: TDs participated in 5 different POS plans)							
Prudential Insurance POS plan	2001	(note: TDs participated in 5 different POS plans)							
Prudential Insurance POS plan	2002	(note: TDs participated in 5 different POS plans)							
United Healthcare PPO	2003	(note: TDs participated in 5 different POS plans)							
United Healthcare PPO	2004	\$15 office visit copay	10% copayment after meeting CYD	10% copayment after meeting CYD	10% copayment after meeting CYD	\$7, \$25, \$50 drug copay	\$100 per visit	\$500 single/\$100 family	\$2,500 per employee; \$5,000 per family unit
United Healthcare PPO	2005	\$15 office visit copay	20% copayment after meeting CYD	20% copayment after meeting CYD	20% copayment after meeting CYD	\$10, \$25, &40 drug copay	\$100 per visit	\$750 single/\$1,500 family	\$2,00 per employee; \$4,000 per family unit