FELRA & UFCW Pension Fund

Fidelity Bond Coverage

Policy No. 82104421

December 9, 2022

Segal

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Memorandum

To: Ann-Marie Sims
Associated Administrators, LLC

From: Paul Weiss, RPLU
Senior Consultant, Insurance

Date: December 9, 2022

Re: **Fidelity Bond Coverage**
FELRA & UFCW Pension Fund
Policy No. 82104421

Thank you for the opportunity to provide a quotation for this year's renewal of Fidelity Bond coverage. We received a quote from Chubb, the incumbent carrier, which we recommend based on scope of coverage, competitive premium and deductible levels and continuity. Chubb provides the same broad scope of coverage as expiring.

Carrier	Total 3-Year Premium	Limit of Liability	Deductibles	Response
Chubb	$4,401	$1 million	$0 ERISA $2,500 Non-ERISA $10,000 SEF	**INCUMBENT OPTION** Key decision variables: broad scope of coverage, competitive premium and deductibles and continuity.

Additional information is available in the attached sections. If you would like samples of any quoted policy forms or endorsements, please let us know and we will provide them to you.

Please advise us of the Trustees' decision prior to December 19, 2022, to help expedite timely processing due to the busy holiday season. If this is not possible, please ensure instructions are provided no later than December 29, 2022, Binding instructions received after this date may result in changes or withdrawal of the quoted terms. Please note that insurance coverage cannot be bound or changed via email, voicemail, text, or fax unless confirmed by a licensed broker.

If you have any questions, please contact our client team:

- **Broker:**

  Paul Weiss, RPLU
  Senior Consultant, Insurance
  212.2851.5195
  pweiss@segalco.com

- **Lead Regional Consultant:**

  Matthew Jackson, RPLU, CCIC
  Senior Vice President
  212.251.5387
  mjackson@segalco.com

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Premium & Coverage Summary[1]

	Expiring Terms	Renewal
Description	**Chubb**	**Chubb**
Policy Summary		
• Policy Period	1/1/2020 – 1/1/ 2023	1/1/2023 – 1/1/ 2026
• Limits of Liability	$1 million	$1 million
• Total Premium	$4,196	$4,401
• Deductible for Non-ERISA coverages only	$2,500	$2,500
• Deductible for ERISA coverage	$0	$0
Coverages/Endorsements		
• ERISA Fraud & Dishonesty	✓	✓
• Social Engineering Fraud Coverage	✓ $100,000 sublimit $10,000 retention	✓ $100,000 sublimit $10,000 retention
• Non-ERISA 3rd Party Computer Fraud	✓	✓
• Non-ERISA 3rd Party Forgery	✓	✓
• Non-ERISA 3rd Party Funds Transfer Fraud	✓	✓
• Expense Coverage	✓ $10,000 sublimit	✓ $10,000 sublimit
• Duties in the event of Loss	As soon as practicable, proof of loss within six months	As soon as practicable, proof of loss within six months
• Extended Discovery Period	Twelve Calendar Months	Twelve Calendar Months
• Inflation Guard	✓	✓
• Loss Discovered	✓	✓

[1] These policy summaries are not an exhaustive list and are not legal interpretations of coverage. Insurance policies are legal contracts that counsel should review.

Proposal Analyses

Scope of Coverage

Chubb quoted the same broad scope of coverage as expiring.

Chubb's definition of "Employee" continues to automatically include employees, Trustees, and "any other natural person who handles Employee Benefit Plan assets" and who is required to be bonded by Title 1 of ERISA while in the service to any Insured Plan. If coverage for losses caused by these Outside Agents (e.g., TPA, Investment Managers, etc.) is desired, the Chubb bond does not require maintaining a list of these Outside Agents.

We support the continued purchase of coverage for common non-ERISA 3rd Party exposures: Forgery, Computer Fraud and Funds Transfer Fraud. Additionally, these coverages are not required by ERISA and are quoted by Chubb with a $2,500 per loss deductible. However, their policies continue to provide first dollar coverage ($0 retention) for ERISA-required Fraud & Dishonesty coverage and the aforementioned broad definition of "Employee."

Chubb also continues to provide a $10,000 sublimit for Expense coverage for costs incurred to establish the existence and amount of covered loss.

Limit of Liability

Since the inception of ERISA, new technology has been introduced, risk issues have evolved, and assets have increased. Further, inflation has devalued ERISA's original bond limit requirement of 10 percent of handled assets up to $500,000. A DOL Field Assistance Bulletin, available here, confirms that nothing precludes a Fund from purchasing a higher bond limit than what is required.

Most bonds provide coverage on a "per occurrence" basis, which means that the bond's limits of liability apply anew to each unrelated loss discovered during the bond's term. If more than one Fund is covered on the same bond, the limit must equal at least the sum of each Fund's individual required limit. Higher limits may be available on request.

Premium

Chubb quoted a premium increase of $205 (4.9%), which is competitive in the current market.

Carrier Services

As a Chubb Fidelity Bond policyholder, you have access to complimentary and discounted services performed by Proforma Screening Solutions. These include:

- Five (5) Complimentary Level 1 background checks
- Free 1-hour consultation
- Preferential rates
- Policy development guidance

For more information on these offerings, please visit:
https://www.proformascreening.com/lp/chubb-employment-screening/

Carrier Subjectivities

This section summarizes the additional information the carriers will require in order to bind coverage.

- Chubb
  - Nothing is required at this time.

Important Note

You, the proposed Insured, represent and warrant that the information provided by you in connection with the application for insurance is complete and accurate through the later of the date that (i) coverage is bound or (ii) coverage becomes effective. You agree to immediately notify Segal, in writing, if any of the information included in the application changes between date the application for quotation/insurance coverage is submitted and the later of (i) the date of the quotation or the date coverage is bound or (ii) the effective date of coverage. You understand and acknowledge that the quoting insurance carriers may reserve the right to withdraw or amend any outstanding quotations based upon such changes and that Segal will not have any liability whatsoever for the decisions of any quoting insurance carriers based on any such changes.

Supplemental Information

While many insurance policies may follow a similar format, substantial differences exist between carriers. Segal recommends Insureds familiarize themselves with the policy's basic coverage features, especially those that require action on their part, and that counsel review all insurance policies.

In addition to the obligation to notice the insurer of any loss, per the terms and condition of the policy, the Insured may be obligated to provide notice to the insurer in other instances, as well. Of course, as your broker, we are always available for your questions.

Notice of Loss

Please carefully review any loss reporting instructions. Failure to timely and properly report a loss may jeopardize coverage for the loss. In addition, you should retain copies of all insurance policies and coverage documents as well as loss reporting instructions after termination of the policies because in some cases you may need to report losses after termination of a policy.

All electronic loss notifications to be processed by Segal must be sent to claims@segalco.com. Please copy me on any notification, but Segal is not responsible for the processing of any electronic loss notification if it is not addressed to claims@segalco.com.

Services and Compensation

For more information about Segal and our services, visit us online at segalco.com. Information about how we are compensated is available here.

In our insurance broker role, Segal's primary method of compensation is indirect compensation in the form of standard commissions from insurers.

Standard commissions are based on pre-set formulas established by insurance carriers, typically expressed as a percent of the premiums paid for the insurance policy. The range of commissions (generally 15% to 20%) can vary based upon a number of factors, such as the type of insurance, whether the insurance placement is a primary or excess layer, or whether another intermediary such as a wholesaler is involved. Commissions paid by insurance carriers to Segal are pre-set, meaning they will not be increased as a result of binding coverage with a particular insurer and filed with the appropriate state's insurance regulators. These pre-set commissions are not dependent upon a minimum volume of business or profitability of the business placed. Segal has a written policy governing its receipt and use of commissions.

On an annual basis, we disclose to our clients, in writing, the amount of standard commissions we receive on their individual policies. Where we receive commissions, we do not charge any administrative or similar fees in connection with placing and servicing insurance policies and, to the extent permitted by law, will apply commissions towards "value added services" related to the insurance policy. However, in accordance with applicable insurance regulations and our written policy, we cannot return any commissions to any client, including if Segal is terminated by the client during the policy period or apply commissions to services that do not meet the definition of “value added services.”

The following table describes typical ranges of commissions for the coverages we place:

Coverage Type	Primary Commission Range
Fiduciary Liability	15-20% of premium
Fidelity Bonds	15-20% of premium
Employment Practices Liability	15-20% of premium
Cyber Liability	15-20% of premium
Directors’ and Officers’ (D&O) Liability	15-20% of premium
Miscellaneous Errors & Omissions (E&O) Liability	15-20% of premium
Upon request, we will provide you with the commission formula that is applicable to your policy.	

Segal bases its insurance recommendations solely on client requirements and objectives and our process for analyzing proposals and recommending types and levels of coverage is objective and free from any influence by commissions or supplemental payments.

Insurance Carrier Ratings

Here is an assessment by a financial rating service of the insurance companies as provided in our proposal. All financial ratings are subject to periodic review and therefore, it is important to obtain ratings from each service. Should you desire further information concerning the financial statements of any of the insurance companies being proposed, so that you can make your own assessment of the financial strength of the companies being offered in this proposal, please contact us for this request.

The below is not a representation of the financial capacity of the insurance companies that including in this proposal as the national recognized financial rating companies provide this information.

A.M. Best Ratings	
A++ & A+	Superior
A & A-	Excellent
B++ & B+	Good
B & B-	Fair
C++ & C+	Marginal
D	Poor
E	Under Regulatory
F	In Liquidation
S	Rating Suspended
NR	Not Rated

Financial Strength Category ($ Thousands)	
Class I	Less than 1,000
Class II	1,000 to 2,000
Class III	2,000 to 5,000
Class IV	5,000 to 10,000
Class V	10,000 to 25,000
Class VI	25,000 to 50,000
Class VII	50,000 to 100,000
Class VIII	100,000 to 250,000
Class IX	250,000 to 500,000
Class X	500,000 to 750,000
Class XI	750,000 to 1,000,000
Class XII	1,000,000 to 1,250,000
Class XIII	1,250,000 to 1,500,000
Class XIV	1,500,000 to 2,000,000
Class XV	2,000,000 or greater

Rating "Not Assigned" Classifications	
NR-1	Insufficient Data
NR-2	Rating Procedure Inapplicable
NR-3	Insufficient Size and/or
NR-4	Operating Experience
NR-5	Company Request

Proposal Advisory

This quote memo is a summary of coverage forms, limits of insurance, endorsements and other terms and conditions of the carrier quotations. Please review quotes and policies with legal counsel for specific terms, conditions, limitations and exclusions that will govern in the event of a loss.

This quote memo does not amend, or otherwise affect, the provisions of coverage of any resulting insurance policy issued by any insurance company to you. It is your responsibility to check the policy or policies being purchased for accuracy.

This proposal is not a representation that coverage does or does not exist for any particular claim or loss under any policy. Coverage depends on the applicable provisions of the actual policy issued, the facts and circumstances involved in each claim or loss, and any applicable law.

In evaluating your exposures for loss, we have depended upon the information provided by you. If there are other areas that you think need to be evaluated prior to binding coverage, please bring these items to our attention as soon as possible.

Protecting Your Funds From Various Risks

Benefits funds and their trustees have various risk exposures because of the many functions they perform. One of the mechanisms to help manage risk is the purchase of insurance protection that permits the transfer of fund and trustee risk to an insurance carrier.

Core products for funds of all types

Fiduciary liability insurance

Protects Plans and trustees from allegations of breach of fiduciary duty and certain administrative errors

Fidelity bond

Protection from costs associated with employee dishonesty, theft and third party crime losses

Cyber liability insurance

Protects funds from costs associated with cyber risks

Employment practices liability insurance (EPLI)

Protection for allegations of employment wrongdoing

Does the fund own property, host events, and conduct travel?

Property & casualty insurance

Protects and provides liability in case the fund is found legally responsible causing injuries or damages to others

Event cancellation insurance

Protects from unforeseen losses related to hosting events

Travel accident insurance

Protects for losses due to accidental death and dismemberment during business travel

Does the fund provide service to others?

Miscellaneous E&O insurance

Protects against allegations of errors and omissions

Employed lawyers insurance

Protects a funds' in-house attorneys from legal advice allegations

Medical professional insurance

Protects for allegations of wrongful practices and services

Retiree representatives insurance

Errors and omissions protection designed for MPRA retiree representatives

Does the fund manage training facilities?

Educators liability insurance

Protects against claims alleging improper or insufficient training

Directors and officers insurance

Protects for various operational exposures related to managing a training facility

Media liability insurance

Protects against various personal injury allegations

Student accident insurance

Responds to injury of students, volunteers or participants

To learn more

about Segal's insurance brokerage services, visit our website at www.segalco.com or contact Diane McNally, Senior Vice President, Senior Consultant and Principal at 212.251.5146, dmcnally@segalco.com.