UFCW Unions and Participating Employers Pension and Health Welfare Funds, UFCW Unions and Contributing Employers Legal Benefit Funds,

Cyber Liability Insurance

January 13, 2023

Segal

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Memorandum

To: Katrina Shank, Esq.
Legal and Compliance Lead

From: Christian N. Hesse
Senior Consultant

Date: January 13, 2023

Re: **Cyber Liability Insurance**
UFCW Unions and Participating Employers Pension and Health Welfare Funds, UFCW Unions and Contributing Employers Legal Benefit Funds,

Thank you for the opportunity to provide Cyber Liability quotations for the Trustees' consideration. It continues to remain a challenging Cyber Liability insurance market, including the impact of increased ransomware incidents, growing vulnerability events, fraudulent financial/email transactions and other increasing claim trends.

Quote options were received from Travelers. Consideration can be given to binding the quote options covering each plan separately, but our overall recommendation is to bind quote Option 4, which covers all of the captioned Funds on the same policy at a higher limit of liability. Our recommendation is based on broad scope of coverage, retentions and premiums which are competitive in this current market, and potentially easier claims handling should a claim arise that impacts more than one Fund. Higher limits may be available upon request.

Please note, the quotes are <u>not</u> bindable until Travelers' receipt and satisfactory review of the signed applications.

Carrier	Premium & Named Insured	Limit of Liability	Retentions	Renewal Summary
Travelers	$3,865 UFCW Unions & Contributing Employers Legal Benefits Fund	$1-million Response + 100,000 Notifications + $1-million Aggregate	$0 Investigation 100 Notifications $2,500 All Other Coverages	**OPTION 1**– Key decision variables: broad scope of coverage, competitive premium and retention levels, separate policy
Travelers	$4,900 UFCW Unions & Participating Employers Pension Fund	$1-million Response + 100,000 Notifications + $1-million Aggregate	$0 Investigation 100 Notifications $2,500 All Other Coverages	**OPTION 2**– Key decision variables: broad scope of coverage, competitive premium and retention levels, separate policy
Travelers	$8,312 UFCW Unions & Participating Employers Health & Welfare Fund	$1-million Response + 100,000 Notifications + $1-million Aggregate	$0 Investigation 100 Notifications $2,500 All Other Coverages	**OPTION 3**– Key decision variables: broad scope of coverage, competitive premium and retention levels, separate policy
Travelers	$20,0002 UFCW Unions & Contributing Employers Legal Benefits Fund; UFCW Unions & Participating Employers Pension Fund; UFCW Unions & Participating Employers Health & Welfare Fund	$1-million Response + 100,000 Notifications + $3-million Aggregate	$0 Investigation 100 Notifications $2,500 All Other Coverages	**RECOMMENDED OPTION 4** – Key decision variables: broad scope of coverage, competitive premium and retention levels, combined policy with higher limit

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 provide binding instructions before February 3, 2023. Binding instructions received after this date may result in changes or withdrawal of the quoted terms. Once quotations have been released, if we have not received contrary instructions from you by the expiration date, we will bind coverage with the recommended insurer in order to avoid a lapse in coverage. Please note that insurance coverage cannot be bound or via email, voicemail, text, or fax unless confirmed by a licensed broker.

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

- **Lead Regional Consultant:**

  Christian N. Hesse
  Senior Consultant
  212.251.5218
  chesse@segalco.com

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Premium & Coverage Summary[1]

Travelers – Options 1 and 2

	Option 1	Option 2
Description	**Travelers**	**Travelers**
Policy Summary		
Policy Period	12 months	12 months
Pending & Prior Litigation Date	At inception	At inception
Knowledge Date	At inception	At inception
Retroactive Date	Full Prior Acts Coverage	Full Prior Acts Coverage
Admitted Status	Admitted	Admitted
Basic Premium	$3,865	$4,900
Named Insured	UFCW Unions & Contributing Employers Legal Benefits Fund	UFCW Unions & Participating Employers Pension Fund
1st Party Expense & 3rd Party Liability		
Aggregate Limit of Liability[2]	$1-million	$1-million
Retention	$2,500	$2,500
Waiting Period	8 hours	8 hours
• Accounting Costs Coverage	✓	✓
• Additional Response Costs	✓	✓
• Betterment Coverage	✓ $100,000 sublimit, 50% Coinsurance	✓ $100,000 sublimit, 50% Coinsurance
• Blanket Additional Insured		
• Business Interruption	✓	✓
• Computer Fraud Coverage	✓ $100,000 Sublimit	✓ $100,000 Sublimit
• Consequential Reputational Loss	✓ $250,000 Sublimit	✓ $250,000 Sublimit
• Contingent Bodily Injury carveback	✓	✓
• Contingent Business Interruption Loss – Malicious Acts	✓ $100,000 Sublimit	✓ $100,000 Sublimit
• Contingent Business Interruption Loss – Non-Malicious Acts	✓ $100,000 Sublimit	✓ $100,000 Sublimit

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.

2 This limit can also apply as excess over the first party response and/or breach notification limits.

Description	Option 1 Travelers	Option 2 Travelers
• Criminal Reward Coverage	✓ $25,000 sublimit, $0 retention	✓ $25,000 sublimit, $0 retention
• Data Protection	✓	✓
• Funds Transfer Fraud	✓ $100,000 Sublimit	✓ $100,000 Sublimit
• GDPR Coverage	✓	✓
• Media Liability	✓	✓
• No ERISA Exclusion	✓	✓
• Non-Panel Service Provider	×	×
• Personal Device Coverage	✓	✓
• PCI Fines & Penalties	✓	✓
• Public Relations and Crisis Management	✓	✓
• Ransomware/Extortion	✓	✓
• Regulatory Defense/Penalties	✓	✓
• Security & Privacy Liability	✓	✓
• Social Engineering Fraud Loss	✓ $250,000 Sublimit	✓ $250,000 Sublimit
• State Amendatory Endorsement(s)	✓	✓
• System Failure	✓	✓
• Telecommunication Fraud	✓ $250,000 Sublimit	✓ $250,000 Sublimit
• Vendor/Client Payment Fraud Endorsement	✓ $100,000 Sublimit	✓ $100,000 Sublimit
First Party Response – Legal/Forensics		
• Aggregate Limit of Liability	$1-million	$1-million
• Retention	$0	$0
• Forensics	✓	✓
• Legal Expenses	✓	✓
Breach Notification Services		
• Aggregate Limit of Liability	100,000 Notifications	100,000 Notifications
• Retention/Threshold	Required notification of 100 individuals	Required notification of 100 individuals
• Call Center Services	✓	✓
• Required Notifications	✓	✓
• Credit/Identity Monitoring	✓	✓
• Voluntary Notifications	✓	✓

Travelers – Options 3 and 4

	Option 3	Option 4
Description	**Travelers**	**Travelers**
Policy Summary		
Policy Period	12 months	12 months
Pending & Prior Litigation Date	At inception	At inception
Knowledge Date	At inception	At inception
Retroactive Date	Full Prior Acts Coverage	Full Prior Acts Coverage
Admitted Status	Admitted	Admitted
Basic Premium	$8,312	$20,002
Named Insured	UFCW Unions & Participating Employers Health & Welfare Fund	UFCW Unions & Contributing Employers Legal Benefits Fund; UFCW Unions & Participating Employers Pension Fund; UFCW Unions & Participating Employers Health & Welfare Fund
1st Party Expense & 3rd Party Liability		
Aggregate Limit of Liability[1]	$1-million	$3-million
Retention	$2,500	$2,500
Waiting Period	8 hours	8 hours
• Accounting Costs Coverage	✓	✓
• Additional Response Costs	✓	✓
• Betterment Coverage	✓ $100,000 sublimit, 50% Coinsurance	✓ $100,000 sublimit, 50% Coinsurance
• Blanket Additional Insured		
• Business Interruption	✓	✓
• Computer Fraud Coverage	✓ $100,000 Sublimit	✓ $100,000 Sublimit
• Consequential Reputational Loss	✓ $250,000 Sublimit	✓ $250,000 Sublimit
• Contingent Bodily Injury carveback	✓	✓
• Contingent Business Interruption Loss – Malicious Acts	✓ $100,000 Sublimit	✓ $100,000 Sublimit
• Contingent Business Interruption Loss – Non-Malicious Acts	✓ $100,000 Sublimit	✓ $100,000 Sublimit

[1] This limit can also apply as excess over the first party response and/or breach notification limits.

	Option 3	Option 4
Description	**Travelers**	**Travelers**
• Criminal Reward Coverage	✓ $25,000 sublimit, $0 retention	✓ $25,000 sublimit, $0 retention
• Data Protection	✓	✓
• Funds Transfer Fraud	✓ $100,000 Sublimit	✓ $100,000 Sublimit
• GDPR Coverage	✓	✓
• Media Liability	✓	✓
• No ERISA Exclusion	✓	✓
• Non-Panel Service Provider	×	×
• Personal Device Coverage	✓	✓
• PCI Fines & Penalties	✓	✓
• Public Relations and Crisis Management	✓	✓
• Ransomware/Extortion	✓	✓
• Regulatory Defense/Penalties	✓	✓
• Security & Privacy Liability	✓	✓
• Social Engineering Fraud Loss	✓ $100,000 Sublimit	✓ $100,000 Sublimit
• State Amendatory Endorsement(s)	✓	✓
• System Failure	✓	✓
• Telecommunication Fraud	✓ $100,000 Sublimit	✓ $100,000 Sublimit
• Vendor/Client Payment Fraud Endorsement	✓ $100,000 Sublimit	✓ $100,000 Sublimit
First Party Response – Legal/Forensics		
• Aggregate Limit of Liability	$1-million	$1-million
• Retention	$0	$0
• Forensics	✓	✓
• Legal Expenses	✓	✓
Breach Notification Services		
• Aggregate Limit of Liability	100,000 Notifications	100,000 Notifications
• Retention/Threshold	Required notification of 100 individuals	Required notification of 100 individuals
• Call Center Services	✓	✓
• Required Notifications	✓	✓
• Credit/Identity Monitoring	✓	✓
• Voluntary Notifications	✓	✓

Policy Analyses

Scope of Coverage

Cyber Liability offers many insuring agreements, each of which should be reviewed as they provide specific types of coverage. Many policies include incident response services and expenses (first party) and coverage for liability claims that may subsequently arise (third party), but significant differences exist between insuring agreements.

Travelers provides a broad scope of coverage, including but not limited to:

- Sublimited Social Engineering Fraud, Computer Fraud, and Funds Transfer Fraud coverages;
- GDPR coverage for non-compliance with obligations under the EU General Data Protection Regulation (or legislation in the relevant jurisdiction implementing this Regulation);
- Accounting Costs coverage provides a $25,000 sublimit. Provides coverage for reasonable fees or costs of a forensic accounting firm, incurred by the Insured Entity, to calculate Income Loss, even if such calculation shows there has been no Income Loss;
- Betterment Costs coverage, which provides a $100,000 sublimit subject to a 50% co-participation clause. Provides coverage for reasonable costs incurred and paid by the Insured, with the Insurer's written consent, for hardware or software to improve a Computer System after a Security Breach;
- Criminal Reward coverage, subject to a $25,000 sublimit;
- Additional Response Costs coverage, which allows the third party limit of liability to apply excess over the breach response and/or notification limits should those be exhausted by a covered incident;
- Personal Device Coverage, which provides coverage for breaches incurred via an insured person’s personal device, rather than a fund-owned device, in the course of transacting business on behalf of the Insured Organization.

Limit of Liability

Travelers aggregates their First Party and Third Party Coverages together, provides coverage for 100,000 Notifications on a second limit, and a $1-million limit for Legal Expenses/Forensics on a third. These limits are separate and do not dilute each other. In addition, with Travelers’ Additional Response Costs enhancement, unused Third Party Liability limits may be used as excess over the First Party Response and/or Notification limits.

Premium

Travelers quoted premium options that are competitive in the current market:

- Option 1: UFCW Unions & Contributing Employers Legal Benefits Fund - $3,865
- Option 2: UFCW Unions & Participating Employers Pension Fund - $4,900
- Option 3: UFCW Unions & Participating Employers Health & Welfare Fund - $8,312
- Option 4: The three above Funds on one policy: $20,002

Continuity

Continuity is a concept addressing the scope of coverage provided by a renewal policy from the incumbent carrier or a new policy from a new carrier. The policy in force when a claim is made will determine whether coverage is or is not provided. When renewing coverage with the incumbent or moving coverage to a new carrier, the insured should determine whether the renewal (or new) policy will provide at least the same scope of coverage as the expiring policy. In particular, a new carrier may wish to limit coverage in some fashion.

To maintain continuity, any additional policy exclusions, new Pending & Prior Litigation dates, and/or new Prior Acts dates should be reviewed.

Carrier Services

Cyber Liability Insurance carriers may also provide various pre- and post-breach services to their policyholders. While these services vary between carriers and may be subject to separate, discounted rates, they can include:

- Online Cyber Security Education including Security Awareness Basics and Security Awareness for Information Technology;
- Network Vulnerability Scans;
- Password Defense services;
- Phishing simulations to test your workforce with a simulated email attack;
- Online portal for policyholders with additional services and information;
- 24-hour hotline and email to report potential breach events.

Surplus Lines Disclosure

Insurance may not be available in the admitted insurance marketplace which requires Segal to obtain proposals from non-admitted carriers. These policies may be available on an excess and surplus lines basis in states pursuant to applicable insurance laws governing the placement of these policies with non-admitted insurers.

The premium would be subject to a state surplus lines, excise or other taxes and/or fees. The carrier may impose an agency policy fee. Segal will invoice for these payment requirements when required to do so. When a policy is available only on an excess and surplus lines basis, the insured has no recourse with the state's insurance guarantee funds in the event the surplus lines carrier should become insolvent or if there are any disputes with the carrier.

For more information, please visit or Services and Compensation page here.

Subjectivities

This section summarizes the additional information the carrier will require in order to bind coverage. All subjectivities must be received and accepted by the carrier before coverage can be bound.

Travelers

- Completed, signed, and dated applications i.e.:
  - Social Engineering Fraud questionnaire (already completed, must be executed).
  - Multi Factor Attestation (already completed, must be executed).
  - CyberRisk Short Form Application.

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 the 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.

Notice of Incident, Claim, or Circumstances

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

Disclosure in an application does not meet these terms and conditions. All regulatory audits or investigations should be treated as a claim and noticed to the insurance carrier as soon as the first written communication from a regulatory agency is received.

Notice must be in accordance with the policy's terms and conditions and must be sent to a designated address. All electronic claim 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 claim notification if it is not addressed to claims@segalco.com.

Extended Reporting Period

Should consideration be made to move coverage from one carrier to another, or there is a material change in terms and conditions, the Insured may also consider purchasing an Extended Reporting Period, commonly known as an "ERP" or "Tail Coverage." An ERP provides the Insured additional time to report claims or circumstances that occurred up to the date of the policy's expiration. This coverage is available for an additional premium and time period to be determined by the carrier. Some policies may also offer an automatic ERP for no additional premium. Please review your policy for specific terms and conditions.

Insured's Obligation to Notice the Insurer

In addition to an obligation to notice the insurer of any claim or circumstance as soon as practicable, the policy will, or may, obligate the Insured to provide notice to the insurer in other instances.

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.

Segal