

{ Holmes Murphy & Associates }



We're for you.

Protecting Your Assets

Risk Management, Insurance, and Employment Best Practices

Cornerstone Housing Summit

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Background of Holmes Murphy



- 100% dedicated to serving college student and alumni organizations
- Founded in 1991 as Kirklin & Company to serve the insurance and risk management needs of fraternal organizations. After three acquisitions, we return to private ownership in 2015 with Holmes Murphy.
- Insurance and Risk Management programs provided to numerous college student and alumni organizations
 - 60 North-American Interfraternity Conference (NIC) fraternities
 - 6 National Panhellenic Conference (NPC) sororities
 - 9 National Pan-Hellenic Council (NPHC) fraternities & sororities
 - 10 National Association of Latino Fraternal Organizations (NALFO) fraternities & sororities
 - Professional and co-educational fraternities
 - Campus based programs and numerous local and smaller fraternal organizations
- Over 2,200 fraternity properties insured through the Fraternal Property Management Association (FPMA)
- Insurance Brokerage: We work for you, not the insurance company

Beta Theta Pi National Insurance Program



- General Liability
- Excess Liability
- Directors & Officers/Employment Practices
- Crime Policy
- Cornerstone Property Program



3

Beta Theta Pi National Insurance Program



General Liability Policy is placed with Admiral Insurance Company

- Funding the loss prevention program of the fraternity and its retained risk
- Bodily injury, third party property damage and personal injury claims
- The BIG and EXPENSIVE challenge of every organization

The General Liability Policy provides each chapter or colony and its affiliated Alumni Corporation receives:

- \$1,000,000 Per Occurrence Policy Limit
- \$2,000,000 General aggregate
- \$50,000 Per Occurrence Self Insured Retention
- Limits are provided Per Location/Chapter basis subject to a \$20M overall policy aggregate

4

Beta Theta Pi National Insurance Program



Excess Liability Insurance (James River Insurance Company):

- \$5,000,000 per occurrence
- \$15,000,000 general aggregate



**Coverage is excess to the underlying General Liability
Policy Limits**

5

Insurance Program Summary



Who is Covered?

- The local undergraduate and graduate chapter, **when it obeys the laws** of the institution, local, state, and federal entities.
- Undergraduate & graduate chapter officers and advisors, house corporations and its officers, executive committee, committee chairman and members while performing duties on behalf of the General Fraternity.
- Employees of all Fraternity entities while performing duties on behalf of the General Fraternity.
- General Fraternity, its officers, staff members and appointed volunteers while performing the services of their salaried or volunteer positions.

6

Insurance Program Summary



Who is NOT Covered?

- Any individual undergraduate, alumni and respective chapter involved in an activity specifically excluded under the terms of the policy
- Any member whose illegal or intentional actions result in death or injury to an individual or property damage
- Members' parents or family members and guests of chapter members
- College/University administration

7

Beta Theta Pi National Insurance Program



Director's and Officer's Liability Insurance (RSUI Indemnity)

- \$1,000,000 per claim limit and policy year aggregate
- \$5,000 deductible
- Includes Employment Practices Liability with a \$15,000 deductible
- Defense costs are paid outside of the per claim limit

Coverage is afforded to:

- National Fraternity
- National Directors & Officers of Fraternity
- Alumni Volunteer Corporations and the respective Directors & Officers
- All recognized collegiate chapters and colonies
- Directors & Officers of Local Chapters
- Alumnae associations, clubs or chapters
- Parents clubs
- Chapter Advisors

8

Beta Theta Pi National Insurance Program



Crime coverage (Zurich)

- Provided to all chartered chapters and colonies and their affiliated Alumni Volunteer Corporation Boards
- **Employee theft/embezzlement:** \$25,000 per occurrence limit with a \$2,500 deductible
- **Computer fraud:** \$25,000 per occurrence limit with a \$2,500 deductible
- **Forgery/alteration:** \$25,000 per occurrence limit with a \$2,500 deductible
- **Funds transfer Fraud:** \$25,000 per occurrence limit with a \$2,500 deductible
- Theft must be reported to all appropriate authorities



9

Insurance Overview



- Protect: Building, Business Personal Property, Business Interruption/Extra Expense
- GRC/Replacement Cost/ACV
- Equipment Breakdown
- Workers Compensation
- Premium Savings Opportunities
- Benefits of being in Cornerstone



10

Cornerstone Housing Program



Property Insurance Program Highlights (GRC)

- Coverage to rebuild with like, kind and quality up to \$100M per occurrence.
- Law & Ordinance Coverage
 - In addition to the Building Limit
 - Full Building Limit for Coverage A
 - Coverage B & C (Increased Cost of Construction and Demolition) \$1,000,000
 - Includes coverage for new structures required by local building ordinance
- Earth Movement/Earthquake provided at no additional cost with the exception of California locations (CA locations are subject to EQ surcharge)
 - \$25,000 deductible all locations other than CA
 - CA 5% of TIV if EQ surcharge paid
- Flood Coverage
 - \$25,000 deductible for flood zones other than 100 yr
 - \$100,000 deductible for 100 yr flood zones

11

Cornerstone Housing Program



RSUI Indemnity Insurance Co.

AM Best Rating A (XIII)

- Three program options – Guaranteed Replacement Cost (GRC), Stated Value (Replacement Cost) and Actual Cash Value (ACV)
- Purchase Property Insurance to Protect
 - Building (Reconstruction Cost)
 - Business Personal Property (Fraternity Owned Contents)
 - Business Interruption / Extra Expense (Loss of Rents)



Premium is calculated using two factors:

- Total Insured Value
 - Building + Business Personal Property + Business Income & Extraordinary Expense = Total Insured Value
- Rate
 - $(\text{Total Insured Value}/100) * \text{Rate} = \text{Property Premium}$

12

Cornerstone Housing Program



Property Insurance Program Highlights (GRC)

- Same deductible for Wind/Hail (Except Coastal Exposures when sustained from a Named Storm)
- Broad Definition of Business Personal Property including fine arts and electronic data processing equipment and software
- Built in Builders Risk coverage for risk associated with renovations and additions
- Vacancy per policy occurs when less than 31% of the building is occupied
- Biennial inspection service including comprehensive insurance review
- Claim Advocacy Support and onsite assistance for losses exceeding 100K

13

Additional Lines of Coverage Available



Equipment Breakdown – Travelers

- Covers equipment like furnace, A/C system, electrical system, boiler, telephone system, alarm system and more
- Policy covers equipment and damages to building and business personal property, service interruption, data restoration, law & ordinance
- Claim examples include boiler explosions, refrigeration breakdowns, electrical arcing damage
- Inspections and regular servicing of equipment can prevent breakdowns. Jurisdictional inspections are included in the premium.
- 17% decrease in premium for the 2013 renewal due to good, long term claim experience.



14

Premium Saving Opportunities



Cornerstone Property Discounts Offered

- Fire Sprinkler System – 40%
- Professional Property Management – 10%
- Modern, Safe Facility – 10%
- \$10,000 deductible – 10%
- Multiple Locations – 5%
- Strategic Assessment/Feasibility Study – 5%
- Pipe Burst Pro – 5%



For more information regarding each available discount, requirements to qualify and how to apply, please request a brochure from the General Fraternity.

15

Workers' Compensation Insurance

Who is doing the work in your facility?



Injury to chapter employee caused by:

- Unsafe act of employee
- Condition of physical plant

Issues all House Corporations should consider:

- Employee vs. Independent Contractor
- Appropriate Hiring Decisions
- Exclusive remedy for injured employee
- Possible penalties and fines when not purchased
- General Liability policy excludes employment related claims
- Coverage Not Provided by National Fraternity



Coverage is not currently included in the General Fraternity's insurance program; however, the goal is to have a National Workers Compensation policy in place in the near future.

16

House Corporation Best Practices



■ Governance

- Governing documents are up to date and well-communicated
- Practices align with governing documents



17

House Corporation Best Practices



■ Financial Management

- Develops and works from operating and long-term budgets
- Financial controls in place
- Conflict of interest policy
- Documenting important decisions in minutes / decisions when significant spend will be incurred
- Signed contracts with employees and vendors
- Workers Compensation in place

18

House Corporation Best Practices



■ Facility Management

- Respond to maintenance requests in a timely manner
- Maintains list of repairs and projects. Don't allow chapter to handle repairs
 - Uses professionals for repairs:
 - Licensed
 - Insured
- Has a schedule for long-term improvements
- Monitors property during break periods
 - Highest time for vandalism (by non-members AND members using facility for New Year's Eve, summer parties)
 - Water losses – prolonged exposure has resulted in 7 figure water losses that could have been handled within the deductible

19

House Corporation Best Practices



■ Facility Management

- Fire Sprinklers
- Technology
- Inspections
 - What does compliance mean?
 - Property versus liability concerns

20

House Corporation Best Practices



- Volunteer Development
 - Single person/remote board
 - Host events at the facility for alumni
 - Succession planning

21

Employment Practices



- Employment issues can create risk/liability for your house corporation
 - You need to be familiar with applicable laws and regulations
 - Attention to detail is important



Employment Practices



- Independent Contractor vs. Employee
 - Important to appropriately categorize
 - Not just how you wish to pay them
- Worker Compensation Insurance
 - Laws vary from state to state
 - What happens if it is not in place?



23

Employment Practices



- Premises liability
 - Training
 - Safe facility (e.g. kitchen)
 - Notices posted
 - Regularly inspected
 - Good working relationship with staff



24

Employment Practices



■ Reasonable Hiring Practices

- Background checks
- Credit checks if handling money
- Written contract and job description
- Annual Performance Review



25

Looking to the Future



- Fundraising
- Nationally-owned properties (AEPi?)
- Higher rent collections/receivables
- Building owners/House Corporations involved in lawsuits
- Professional Property Managers

26

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27

Thank You!



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28