

# McDaniel Insurance Services

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Dear Laura and ARS officers,

The insurance policy for the American Rhododendron Society renews on Monday, October 1, 2007. Please find, attached, an Insurance Overview for your review and consideration. If you have any questions regarding this overview, please don't hesitate to call upon me. In addition, if any of the officers on the Board of Directors have questions or concerns, please encourage them to contact me as well.

As shown in the Insurance Overview, attached, the insurance coverage is provided by Federal Insurance Company, a subsidiary of Chubb Insurance Companies, one of the foremost insurance companies in North America and around the world. The financial rating of Federal Insurance Company is listed as "A++" which ranks the company as "Superior" according to A. M. Best Company, one of the major insurance rating services. We have carefully selected Federal Insurance Company and Chubb as our company of choice because Federal offers superior coverage provisions and terms as provided for in the language of the policy, and they provide outstanding services and strong financial stability. Most importantly, they have the finest claims response reputation in the industry.

In addition, the coverage we are providing to the American Rhododendron Society is written on Chubb's special "Conserve-A-Nation" form designed especially for organizations dedicated to natural and botanical resources, land preservation and the environment. As a result, Chubb possesses special knowledge of the circumstances faced by nonprofit organizations, such as yours, that have individual chapters.

In requesting renewal terms from Chubb, I was happy to see that there is only a slight increase. The cost for the renewing policy, without terrorism coverage, is \$9152.00. This represents a modest 4.0% increase, which is completely in line with other increases that I have seen this year from several different carriers. We are proposing a blanket certificate charge this year of \$225, which will be a more economical way for ARS to pay for the certificates.

McDaniel Insurance Services thrives on the high service required by the nonprofit program accounts we specialize in. We are continually looking for ways to improve the value of our services to our clients. In analyzing the program we have designed for the American Rhododendron Society, utilizing the experience from our other programs, we can see that in order for us to offer more prompt and responsive service to the chapters, it would be preferable for our office to work with each chapter directly to provide certificates, additional insured endorsements and special event coverage, along with providing insurance information and appropriate guidance. This approach will be quicker and more efficient, saving everyone time, work and money. This will certainly save you time, Laura, and copies of all certificates and endorsements will be sent to you to keep you informed.

To simplify the invoicing in this arrangement, we propose including a discounted block of twelve certificates of insurance. There were nine certificates issued last year. We charged your organization \$25.00 for each certificate which totaled \$225.00. We propose, for next year, a blanket charge of \$225.00 for twelve certificates or less. (This would be adequate for most years unless the annual convention necessitates additional certificates.) Certificates above the minimum of twelve would be charged at \$25.00 each and paid for by the parent organization.

As professional insurance brokers, our staff is bound by certain regulations and ethics. Also, as brokers we work for our clients, not the insurance company, and we are always here to answer questions and provide insurance information. We have been in business specializing in nonprofit organizations for over 16 years. As brokers we always make efforts to advise our clients of

coverage we know to be important – and even vital – to the prudent management of an organization. As a result we are always examining the coverage our agency provides to an organization. Knowing the organization's activities, we also must properly advise the organization of coverages which are available and important to them. I would like to repeat here those recommendations for improvements in coverages that we have historically offered.

We have previously discussed Directors and Officers Liability coverage for the parent organization and for each chapter on an optional basis and we have provided informational brochures on this type of coverage. We would certainly be willing to provide as many copies of these materials for your directors and chapters as you may find useful and we certainly would consider a presentation to your board, as we have to the boards of many of our clients. Our office considers D&O coverage essential for an organization such as the American Rhododendron Society and of great value and importance for most, if not all, of your chapters. We have been able to develop special D&O insurance programs for our other organizations for as low as \$250.00 per club or chapter per annum. Our office would be happy to work with the parent organization and the chapters to administratively pull this program together for everyone's benefit.

Other types of coverage that should be made available to your chapters include property insurance and premises liability insurance, which can be added for any US location. If coverage for even one property location were included in the Chubb package policy, the General Liability portion of the policy would see a reduction in premium. The property coverage would also trigger the \$250,000 blanket coverage endorsement that would provide many additional coverages for ARS. In addition, this program can provide very competitive rates and excellent coverage for locations such as botanical gardens, greenhouses, workshops, and meeting rooms. We should emphasize that any exclusive and ongoing use of premises represents a liability exposure that must be scheduled on an insurance policy, by standard procedure, to provide coverage. We would sincerely like to see the ARS take advantage of this opportunity to give the chapters and clubs excellent coverage at a reasonable cost.

Recently, a question regarding the liquor liability coverage has come up. Although previously provided on this policy, liquor liability is rarely available on a blanket basis for nonprofit organizations. It is not usually considered necessary unless the organization is in the business of selling liquor and has an alcohol license or permit to sell. Some insurance companies will add liquor liability, if required, but usually the coverage is quite expensive. Host liquor liability which *is included* in the policy offered by Chubb provides coverage for the serving of liquor at dinners and other social functions. Unless the ARS is "in the business" of selling liquor, the liquor liability form of coverage is not necessary.

We have noticed that some of our insureds wonder why we do not always provide multiple quotes, indicating that we shop around for the best pricing. The first answer might be that "I do shop around, constantly". I do not usually obtain quotes from multiple insurers, however. I hope the following helps in understanding how I can feel certain that I am offering the ARS not only the best possible option but an exceptional product.

When I say that I shop continuously, it is because I specialize in nonprofit organizations of many different kinds and I am constantly interacting with insurance markets that write coverage for nonprofit organizations. I do keep my finger on the pulse of the marketplace and have a good feel for the appetite and pricing of various companies. I always obtain multiple quotes when I think it will be to the distinct advantage of my client, but if it is clear that I have already found the best option, it would be a disservice to the industry and everyone concerned to obtain unnecessary quotes. .

There are three primary criteria I use for selecting an insurer for my clients:

1. The financial strength and claims service reputation of the company.
2. Coverages and forms.
3. Pricing

I strongly recommend companies that have strong and stable financial strength and a reputation for excellent claims service. In recent years, even relatively stable companies have gone into

bankruptcy. If a company is not willing or able to be there for a client when the need arises, it does not matter how inexpensive the policy premium, it becomes a total waste of money.

The coverage forms and policy wording can vary widely from company to company, policy to policy. The policy wording is a legal contract and, even if a claim is disputed by the company, if the policy wording reads that there is coverage, a court of law is likely to uphold the coverage, if litigation is necessary.

Finally, among the companies that can offer the coverages needed by my clients and can stand behind their policies, I will compare price. In today's economy it is more important than ever that nonprofit organizations take care in spending funds. We consider it to be of utmost importance to provide our nonprofit insureds with competitive pricing. We have been fortunate in being able to find companies that compete in pricing, even when compared with those companies that have lower standing and inferior policy provisions.

With many of my clients, such as ARS, there is an additional consideration: The special needs of my client and the 'appetite' of the company. The ARS insurance coverage is not just a policy for the 'parent organization' but a special program that allows for the insurance of member chapters. Many companies are not willing to structure insurance in this way because they perceive the activities of the member clubs as beyond the oversight of the parent organization. I consider it most fortunate that such a reputable company as Chubb offers coverage for this type of nationwide association of chapters.

This policy automatically renews on October 1, 2007 and can only be cancelled by means of a signed cancellation request form. If you do not wish to renew coverage, please let me know and I will send you the necessary cancellation form. The cancellation would be effective, at the earliest, on the date the form is received by the company, or on a date thereafter specified on the form. Any premium earned between the renewal date of the policy and the cancellation date would be fully earned and immediately due. The company will not back date a cancellation.

We, of course, would be pleased to continue our service. If you find the attached "Insurance Overview," with its new provisions, to be acceptable, please sign and return it to us, with payment, at your earliest convenience. If you or any of your board would like to discuss these provisions, or have any questions I am always pleased to receive a phone call or email.

Sincerely,

Patt McDaniel  
McDaniel Insurance Services

**INSURANCE OVERVIEW**  
**F O R 10/1/2007 - 10/1/2008**  
**American Rhododendron Society**  
**And Participating Chapters**

**BY**  
**P A T T M C D A N I E L**  
**McDaniel Insurance Services**  
**DOI Lic #0820481**  
**September 12, 2007**

|   |
|---|
| Coverage offered through the<br>Federal Insurance Company, a member of the<br>Chubb Group of Insurance Companies. |
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PACKAGE POLICY

|             |   |
|-------------|---|
| \$2,000,000 | General Aggregate (annual limit)            |
| 1,000,000   | Products and Completed Operations Aggregate |
| 1,000,000   | Personal & Advertising Injury               |
| 1,000,000   | Each Occurrence                             |
| 1,000,000   | Damage to Property rented by you            |
| 5,000       | Medical (any one person)                    |
| 10,000      | Crime Coverage (Fidelity)                   |

Included in the above limits:

|             |                                |
|-------------|--------------------------------|
| \$1,000,000 | Host liquor liability          |
| \$1,000,000 | Non-owned auto and hired auto. |

Blanket Additional Insured (No additional premium. A processing fee of \$25 is charged for certificates. A batch discount is applied at \$225 for 12 certificates.)

|  |               |
|--|---------------|
| Total cost including terrorism coverage    | \$9152        |
| <u>Twelve certificates, batch discount</u> | <u>\$ 225</u> |
| Total                                      | \$9377        |

Includes premium for terrorism coverage at: \$ 190 (unless rejected on the attached form prior to renewal)

Terms and conditions:

Based on parent organization and member clubs as listed on the expiring policy.

A list of participating clubs with their mailing addresses, contact information and the number of members, is needed, preferably in Access Database (as in prior years).

McDaniel Insurance Services will work directly with member chapters regarding certificates, additional insured endorsements, or other coverages.

**This insurance does not apply to Bodily Injury, Property Damage, Advertising Injury, or Personal Injury arising out of special events. This exclusion does not apply to the following events:**

Any of the following events where attendance is less than 300:

- Meetings & Seminars
- Picnics & Dinners
- Festivals & Concerts
- Bike Races & Treks
- Foot races & Treks

**Contact our office well in advance of any planned activity to determine whether you need to purchase special event coverage.**

## Additional Coverages and Recommendations

Accident Coverage – The policy is not designed to provide accident coverage for volunteers who are injured while working on behalf of the ARS or its insured chapters. A quote for accident coverage for the ARS and participating chapters can be obtained upon request.

Coverage for property and gardens – Coverage for property (buildings and/or contents) or for gardens or preserve land (liability coverages) is available to member chapters of the ARS. Coverage is superior and pricing is quite competitive. Contact McDaniel Insurance Services for details.

Directors and Officers Coverage – Coverage for the additional liability taken on by directors and officers by virtue of their positions can be provided by a Directors and Officers Policy. McDaniel Insurance Services has created programs for organizations through which member clubs and organizations can obtain this coverage at a remarkably low price. We are glad to provide additional information upon request.

## General Insurance Terms and Concepts for Nonprofits

The General Liability policy is designed to provide coverage (legal defense and claims settlement) for legal responsibility of the organization and its volunteers for bodily injury, property damage, personal injury and advertising injury to others due to an occurrence during the policy period. The 'limits' are the maximum amounts that can be paid in claims settlements. Defense costs do not deplete the amount available for claims but are paid by the company (they are 'outside the limits'). The General Liability coverages are standardized and generally include the following:

General Aggregate – This is the most that the company will pay out in claims in one year.

Products and Completed Operations Aggregate – This is the most that the company will pay out in claims due to Products and/or Completed Operations in one year.

Products – Property made or handled by your organization. Most nonprofits do not have products although food products at a dinner prepared by volunteers, for example, would fall under this category.

Completed Operations – Generally, work that has been completed as called for in a contract.

Personal Injury – This usually includes libel, slander, invasion of privacy, wrongful entry, wrongful eviction, wrongful arrest and similar actions.

Advertising Injury – Provides personal injury coverage for your advertisements for your organization.

Medical Limit - The medical expense limit is a 'no-fault' sub-limit of the GL. It can be paid out with relative ease, but if the claimant feels it is not adequate, a claim can be put in against the General Liability.

Non-owned and Hired Auto - If volunteers use their own autos in the business of the organization (such as going to the bank or moving a display) and are involved in at-fault accidents, they are not only personally liable but the organization may also be held liable. This coverage is designed to protect the organization in that event. This insurance is excess over other applicable insurance. Drivers are responsible for their own liability and should carry insurance.

The above information is for summary information purposes. Please refer to the policy for full information. The policy is the legal document and supersedes any information herein.

I have read and received a copy of the above two-page overview.

I understand and accept that broker's service fees are charged and are nonrefundable.

\_\_\_\_\_  
signature, title

\_\_\_\_\_  
date