

**Special Interest
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- You Are Under-Insured and You Don't Even Know It: Unraveling the concept of Co-Insurance

Will your business insurance program survive the economic turbulence?

In the face of the economy's recent volatility, chances are you are busier than ever trying to find work for your members. You've certainly got enough concerns on your plate so there is no time to waste worrying about your business insurance being compromised.

As we continue to see more downsizing and consolidation from corporations across the board, insurance carriers may look to narrow their appetite to their core classes of business, moving away from niche classes where they lack knowledge and expertise.

As a repercussion, such a trend could jeopardize insurance agents who do not have a core focus or

volume of labor organization customers. Should their insurance carriers decide to trim their portfolio, their one or two union accounts would likely be the first to go. Consequently, you could face a greater risk of having your policies non-renewed by your carrier if you are in the minority.

It is now more important than ever to align the insurance program of your Local, JATC or Funds Office with an insurance agency that has a strong affinity with carriers that are committed to labor organizations.

Similar to a collective bargaining agreement, it is in your best interest to be part of a greater whole in order to receive the

attention and service from companies committed to labor organizations as one of their core classes of business.

Union Insurance Group is adequately prepared to endure these difficult times and continues to grow in the marketplace. The size and strength of our exclusive Union Program is designed to withstand economic turbulence and it continues to be a valuable core class of business for the insurance carriers with which we work. It is the unwavering strength of our partnerships with our insurance carriers that equates to a 'piece of mind' for you and your labor organization.

Union Hall Rentals: Protecting your Liability

Long gone are the good old days when anyone could rent out the union hall on a hand-shake for birthday parties, wedding receptions, and retirement celebrations. Now the union hall is not just another pretty space.

With seemingly six degrees of separation to lawsuit horror stories, it has become almost taboo for many Locals to allow personal events to be hosted at the union hall at all.

For those unions that choose to rent out their halls, they likely have solid stipulations in place. For example, at a minimum, many require that the opportunity is limited to only union members.

However, regardless of who or which organization is renting the hall, the Executive Board has a

responsibility to ensure that proper liability exposures are covered.

Union hall rental agreements are more sophisticated than ever. Yet even attorney-reviewed and Board approved contracts are not enough. There are several measures which can be taken in order to cover your assets and minimize the Local's liability exposure...ranging from written documents to monetary deposits to proof of insurance.

A certificate of insurance is much more than a technicality. It will ensure that the proper coverage is in place and help to determine liability in the event of a claim.

After all, there is a basic fiduciary responsibility to the

members to protect the hall's property whether it is a state-of-the-art facility or an antiquated bare-bones venue. Without valid certificates of insurance, the local assumes all liability for any action that takes place in the hall.

Would the Local's own General Liability policy respond to claims if sufficient certificates of insurance were not obtained? The answer is 'maybe.' And for obvious reasons, that is never good enough.

Therefore it is up to you to determine if it is a risk worth taking. When it comes to union hall rentals, it is absolutely imperative to find out exactly what your policy covers and what may be left dangling in the wind.

You Are Underinsured – And You Don't Even Know It!

Unraveling the concept of Co-Insurance

Are You Covered?

• Your Health & Welfare, Pension, and Apprenticeship Funds all share the same Fiduciary Policy & Crime Bond. There is a \$1.5M loss for one fund. Are you covered adequately for each fund after the loss?

• Your local gets sued for Discrimination based on a false allegation. You know it's a frivolous suit and will be thrown out by the judge. Are you covered for attorney fees for such a claim?

• One of your members' confidential info was stolen. Are you covered to pay for protection against Identity Theft?

You've had a fire in your Union Hall causing \$40,000 in damage. Your insurance company sends a claims adjuster to evaluate the loss and cut you a check. The amount you received – \$29,000 – is well short of what you expected. You ask why, and the adjuster informs you that you did not meet your coinsurance requirement. You wonder aloud, "My *what* requirement?" as your bid for re-election goes up in flames, as well.

Coinsurance is a feature in all property insurance policies that obliges the policy holder to "share" in the loss with the insurance company. Did you know you were sharing?

How Coinsurance Works (example):

Replacement Cost value of your building:	\$500,000
Your policy coinsurance clause is	80%
Limit of insurance in your policy	\$300,000
Total cost of the damages	\$40,000
Your Deductible	\$1,000

Look below to see how you are underinsured and don't even know it:

Step 1: How Much Insurance Should I Have?

Take the Replacement Cost of your building (\$500,000) and multiply it by your coinsurance clause (80%) to find the minimum amount of insurance you promised the insurance company that you would keep on the building. $\$500,000 \times 0.80 = \$400,000$ of coverage.

Step 2: Am I In Compliance?

Take the limit of insurance coverage you actually have (\$300,000) and divide it by the limit you should have (\$400,000) to find your compliance factor. $\$300,000 / \$400,000 = 0.75$; or 75%. This falls short of the 80% compliance factor in your coinsurance clause.

Step 3: Now That I Have A Loss - How Much Is Covered?

Take the amount of the loss (\$40,000) and multiply it by your compliance factor from Step 2 (75%). $\$40,000 \times 75\% = \$30,000$. This is the most your insurer will pay.

Subtract your deductible (\$30,000 - \$1,000 = \$29,000) to see the difference between your loss (\$40,000) versus what you will receive (\$29,000) ... $\$40,000 - \$29,000 = \$11,000$.

Can you rationalize an unplanned \$11,000 expense out of your general / building / apprenticeship fund?

It is also worth noting that most union liability and fiduciary liability policies contain exclusions for claims related to not purchasing adequate insurance for your organization. If the membership files a claim against you for breach of fiduciary responsibility, these policies will not cover that claim.

If your organization is like many others across the country, you most likely have not adjusted the insurance replacement cost of your assets (the building and its contents) in the last five years. With the price of construction materials and labor rising, the cost to repair or replace your building has increased significantly since your last adjustment.

Union Insurance Group utilizes a variety of tools, techniques, and carriers, with a commitment to utilize union labor, to help its clients implement a comprehensive insurance program. If you would like a free, no-obligation evaluation of your program, contact us today.



[Questions or Comments, Contact Us](#)

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