

Liability Insurance Task Force Questions and Observations

Question and Answers

Q. 1. What is the Royal Insurance Co. relationship with Royal Global/Sun Alliance?

A. *Royal Insurance Co. is a subsidiary of Royal Global/Sun Alliance which is based in London.*

Q. 2. Can the alumni corporation pay the premium?

A. *Yes. If the alumni board wants to insure that the premium is paid, they can collect the funds from the chapter through rent (as most do now), or separately, and pay the premium to the national fraternity.*

Q. 3. What type of loss has caused most of the recent lawsuits?

A. *A study of 1,214 fraternity liability claims occurring between 1987 and 1995 found the following:*

<u>Type of loss</u>	<u>% of all losses</u>	<u>Actual Number</u>
<i>Falls from roof</i>	<i>4%</i>	<i>49</i>
<i>Sexual abuse</i>	<i>6%</i>	<i>73</i>
<i>Automobile</i>	<i>6%</i>	<i>73</i>
<i>Fights</i>	<i>18%</i>	<i>219</i>
<i>Slip and fall</i>	<i>26%</i>	<i>316</i>
<i>Athletic event</i>	<i>5%</i>	<i>61</i>
<i>Hazing</i>	<i>4%</i>	<i>49</i>
<i>Fire</i>	<i>2%</i>	<i>24</i>
<i>Property damage</i>	<i>6%</i>	<i>73</i>
<i>All other</i>	<i>23%</i>	<i>277</i>
<i>Total</i>	<i>100%</i>	<i>1,214</i>

Our review of the current individual policies identified exclusions for: Assault & Battery (fights), Sexual abuse, Automobile, Athletic Events and Hazing - - to mention a few. As you see, these five types of claims alone accounted for 39% of the claims studied. Furthermore, a very high percentage of claims, by category, involved alcohol.

Further, many of the current policies exclude host liquor liability. 775 of the 1,214 claims studied involved alcohol - - jeopardizing coverage for the policy holder.

Q. 4. What has the record been for premium levels for FRMT?

A. There have been only modest \$1- \$3 increases in the base \$72 FRMT premium for most of the past 6 years (the base \$72 rate does not include the \$9 entrance fee and the \$9 capital fee). Any increases have been in line with the rise of the consumer price index. Furthermore, the intention of FRMT is to continue to increase the \$2,500 deductible paid by the national fraternity and the \$100,000 per occurrence limit paid by FRMT which will cause premiums to stay level.

Q. 5. Is Directors & Officers liability coverage available?

A. Yes, for an additional premium charge which is currently \$400. You can cover the directors of your Educational Foundation for approximately another \$600.

Q. 6. Why is FRMT not licensed in my state?

A. FRMT does not write the policy. Royal Surplus Lines Insurance Co. writes the \$1 million primary general liability policy and Royal Insurance Company of America writes the \$10 million umbrella policy to cover all entities of Alpha Gamma Rho. Both carriers are licensed to write business in all states. Royal Surplus Lines Insurance Company is a non-admitted insurer in all States other than Connecticut. Non-admitted status allows the carrier to utilize its own premium rating system and does not provide the insured protection from the different state guarantee associations in case of carrier insolvency. Royal Insurance Company of America is an admitted carrier in all states and provides the insured protection from the state guarantee associations in case of insurance carrier insolvency. It is not at all uncommon for insurance companies to do business on a non-admitted basis.

Q. 7. Since we do not own a chapter house and our students live in apartments and university dorms, why do we need liability insurance coverage?

A. You need liability insurance to protect the chapter and alumni corporation against losses from actions of the chapter, alumni corporation or any of the officers which would not be protected by the property coverage of the apartment complex or the university dorm. Any university liability coverage will protect the university, and not entities of Alpha Gamma Rho.

Q. 8. Your Introductory Copy states that member's parents, family members and guests are not covered by the policy. Does this mean that if a member's guest or relative tripped on the steps of the chapter house and broke their neck they would not be covered?

A. *If any injured party brings a suit the fraternity is covered. The parents and guests are not Named Insureds under the policy. If a parent or guest broke their neck, assumably their medical insurance would provide coverage. However, if they sued the chapter to collect damages the chapter is covered.*

Q. 9. When do we pay our premium?

A. *The due date each year will be September 1. There will likely continue to be reduced rates for those able to prepay by May 15 or June 30.*

Q. 10. Does the policy cover legal costs?

A. *Yes.*

Q. 11. The examples specify hazing as being covered. Then the summary of the program lists hazing as not authorized and so is not covered. I am not worried about hazing coverage, just if there is something else not covered. I guess my real question is who determines what activities are authorized and so can be covered.

A. *All legal actions against the chapter, alumni corporation or officers are covered. Individual or chapter actions that are illegal are not covered. For example: if some officers hazed another member and later the member sued the chapter, alumni corporation and national fraternity; the chapter, alumni corporation and national fraternity would be covered for the lawsuit, but the officers that committed the crime would not be covered.*

Q. 12. The Introductory Copy mentions that officers, members and “appointed” volunteers are covered. Are “elected” volunteers” (board members) covered under the policy?

A. *Yes, all parties (including all elected directors and trustees on all local and national boards) are covered for claims arising out of bodily injury or third party property damage. In addition, as we mentioned previously, D&O liability insurance is also available to local alumni boards at an extra charge.*

Q. 13. Will the individual Housemothers be covered?

A. *Housemothers can be covered at no extra charge by naming each Housemother as a Named Insured.*

Q. 14. Some universities want the chapter to extend coverage to them. Can we do that?

A. Yes, at no extra charge, the university can be covered by listing them as an Additional Insured.

Q. 15. If some collegiates and a few alumni are involved in a fund raising activity, are they covered?

A. Yes.

Q. 16. How does the FRMT program deal with other insurance policies involved in the same claim?

A. The FRMT program contains an "excess provision" so that it is excess of other available insurance. This usually comes into play with the homeowner policy of an undergraduate that is involved in an excluded act such as assault or hazing.

Q. 17. What would be the recourse for Alpha Gamma Rho if Royal Insurance Company became insolvent?

A. The most likely recourse would be to bring a malpractice claim against Kirklin & Company, Inc., the insurance and claims administrator for FRMT, Ltd and party responsible for placement of coverage with the Royal companies. Kirklin has Errors & Omissions/Malpractice insurance that would provide them coverage.

Q. 18. Is \$11 million coverage necessary? \$11 million seems a bit arbitrary?

A. \$11 million is the amount that has been set by FRMT. If AGR wants to enjoy the benefits of FRMT there are the requirements to meet. The FRMT company needs to have the minimum protected so that each owner fraternity and each chapter is equally covered so others are not inequitably exposed by lower limits of a respective chapter.

Q. 19. What is the industry rating of Royal Insurance Company?

A. Royal Insurance has a rating equal to its owner of A+12.

Q. 20. Some local alumni corporations have a separate foundation. Are they covered?

A. The local foundations are automatically covered under the general liability policy for no additional premium. They would be eligible to purchase D&O coverage as well.