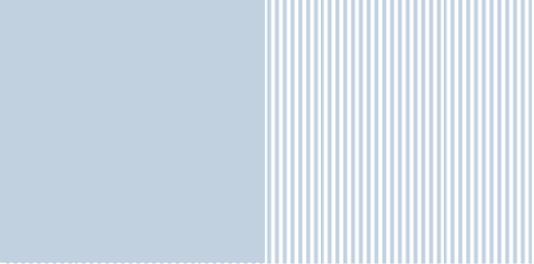


MARSH

November 13, 2008

Risk Management Statewide Insurance Seminar

State of Oklahoma



Directors and Officers Liability

Employment Practices Liability

Educators Legal Liability

Directors and Officers Liability – (D&O)

- Covers State of Oklahoma (Including it's Agencies), Directors, Officers, Trustees, Employees and Volunteers
- \$5MM per Claim
- \$35MM Aggregate limit of liability with tie-in of limits between D&O and ELL policy
- \$150,000 Retention per claim to state entities / \$350,000 Retention per claim to State Risk Management for a total of \$500,000
- Coverage **not** provided for Defense Costs

D&O Basic Coverage Overview

Elements of Coverage for D&O

- Provides coverage to Directors and Officers in the event of allegations citing errors, omissions or breach of duty within the scope of their duties
- Provides coverage to State of Oklahoma for reimbursement of indemnified amounts
- Provides “entity” coverage to the State of OK
- Coverage is extended to include Employment Practices Allegations

D&O Key Policy Definitions

- **Insured(s), or Director, or Officer or Trustee means:**
 - Any past, present or future duly elected or appointed directors, officers or trustees and employees of the Organization. Coverage will automatically apply to all new directors, officers, trustees and employees after the inception date of this policy;
 - The Organization - (State of Oklahoma, including it's Agencies)

D&O Key Policy Definitions

- **Definition of “Loss” includes:**
 - Damages, judgments, and settlements

- **Definition of “Loss” does NOT include:**
 - defense costs,
 - civil or criminal fines or penalties imposed by law,
 - punitive or exemplary damages, the multiplied portion of multiplied damages,
 - taxes,
 - any amount for which the Insureds are not financially liable, or which are without legal recourse to the Insureds,
 - or matters which may be deemed uninsurable under the law pursuant to which this policy shall be construed.

D&O Key Policy Definitions

- **Wrongful Act means:**

- Any breach of duty, neglect, error, misstatement, misleading statement, omission or act by the Directors or Officers or Trustees or Insured of the Organization, or the Organization itself, or any matter claimed against the Directors or Officers or Trustees or Insureds, solely by reason of their status in such capacity.
- Wrongful act shall also include:
 - Discrimination,
 - Sexual Harassment,
 - Libel,
 - Slander,
 - Defamation,
 - Employment Practices Allegation

D&O Key Policy Exclusions

- Claims covered under the Governmental Tort Claims Act
- Unlawful Gain or Profit
- Criminal Misconduct
- Deliberately Fraudulent Acts
- Insured vs. Insured
- Bodily Injury or Property Damage
- Medical Malpractice
- Sexual Misconduct & Child Abuse
- Contractual Liability
- ERISA/FLSA/NLRA/COBRA/WARN/OSHA
- Absolute Wrongful Imprisonment Exclusion
- Absolute Affirmative Action Exclusion
- Pollution

Educators Legal Liability – (ELL)

- Covers State of Oklahoma Universities, Colleges, and Board of Regents
- \$5MM per Claim
- \$35MM Aggregate limit of liability with tie-in of limits between D&O and ELL policy
- \$150,000 Retention per claim to state entities / \$350,000 Retention per claim to State Risk Management for total of \$500,000
- Coverage **not** provided for Defense Costs

ELL Basic Coverage Overview

Elements of Coverage for Educators Legal Liability:

- Provides coverage to Directors and Officers in the event of allegations citing errors, omissions or breach of duty within the scope of their duties
- Provides coverage for non-indemnifiable events
- Provides coverage to State of Oklahoma for reimbursement of indemnified amounts
- Provides “entity” coverage to the State of OK
- Coverage is extended to include Employment Practices Allegations

ELL Key Policy Definitions

- **Insured(s), or Director, or Officer or Trustee means:**

- Any past, present or future duly elected or appointed directors, officers or trustees and employees of the Organization. Coverage will automatically apply to all new directors, officers, trustees and employees after the inception date of this policy;
- Student Teachers, Faculty Aides, Students in Supervised Internships, Teaching Assistant, President, Regent, Chancellor, Provost, Risk Manager, and Volunteers;
- The Organization (State of Oklahoma and **scheduled** Colleges, Universities and Board of Regents)

ELL Key Policy Definitions

- **Definition of “Loss” includes:**
 - Damages, judgments, and settlements;
 - **Definition of “Loss” does NOT include:**
 - defense costs,
 - civil or criminal fines or penalties imposed by law,
 - punitive or exemplary damages, the multiplied portion of multiplied damages,
 - taxes,
 - any amount for which the Insureds are not financially liable, or which are without legal recourse to the Insureds,
 - matters which may be deemed uninsurable under the law pursuant to which this policy shall be construed.

ELL Key Policy Definitions

- **“Wrongful Act” means:**

Any breach of duty, neglect, error, misstatement, misleading statement, omission or act by the Directors or Officers or Trustees or Insured of the Organization, or the Organization itself, or any matter claimed against the Directors or Officers or Trustees or Insureds, solely by reason of their status in such capacity.

“Wrongful act” shall also include:

- Discrimination
- Sexual Harassment
- Libel
- Slander
- Defamation
- Employment Practices Allegation

ELL Key Policy Definitions

“Wrongful act” shall also include:

- Educational Malpractice,
- Denial/Removal of Tenure,
- Failure to Educate,
- Negligent Academic Guidance/Counseling,
- Defect in the Tenure or Peer Review Process
- Failure to grant tenure
- Non-employment discrimination
- Plagiarism

ELL Exclusions

- Claims covered under the Governmental Tort Claims Act
- Unlawful Gain or Profit
- Criminal Misconduct
- Deliberately Fraudulent Acts
- Insured vs. Insured
- Bodily Injury or Property Damage
- Medical Malpractice
- Sexual Misconduct & Child Abuse
- Contractual Liability
- ERISA/FLSA/NLRA/COBRA/WARN/OSHA

Employment Practices Liability Extension

■ **Applies to both, Directors and Officers and Educators Legal Liability policy**

- EEOC has continued to dedicate more resources and take an aggressive stance in claim investigation and settlement negotiations through 2008
- The frequency and severity of EEOC claims are on the rise
- The EEOC appears to be shifting its focus from individual cases and is more aggressively pursuing class action cases
- Charges of race discrimination filed with the EEOC continue in 2008 to be the most prevalent type of claim filed

EEOC reporting at the first knowledge or Notice of Charge to Risk Management for reporting under policies to protect coverage is critical

D&O and ELL Notice / Claim Reporting Provisions

Claim Reporting Provisions:

If a Department Manager, the Human Resources Manager, Attorney General's Office or General Counsel **becomes aware of a claim or circumstance that could give rise to a Claim, they should notify State Risk Management immediately** of the claim and/or circumstances.

The Claim or Report of circumstances should **include full details as to dates, persons and/or entities involved, along with the demand letter, a copy of the lawsuit, or a brief description of the allegations.**

D&O and ELL Notice / Claim Reporting Provisions

State Risk Management will either give **written notification of claim/circumstance to the insurance company** directly through monthly bordereau reports or on an individual claim basis, depending upon the circumstances of the claim. Upon receipt the insurer will acknowledge receipt and assign the bordereau report a claim number.

Marsh will assist, as requested, in the claim management or claim settlement process.

D&O and ELL Notice / Claim Reporting Provisions

On the rare occasion where outside counsel is used to defend claim in lieu of the AAG, State Risk Management shall request consent from the insurer and outside counsel shall submit credentialing documentation as requested by the insurance company.

Quarterly status reports are required to be submitted by Defense Counsel to State Risk Management. State Risk Management will then report the status of the claim to the insurance company.

D&O and ELL Notice / Claim Reporting Provisions

State Risk Management will coordinate **initial contact with defense counsel and the insurer**. Requests by the insurance company and/or local counsel for additional information related to open claims shall be directed to State Risk Management.

State Risk Management will notify the insurance company of any **change in defense counsel** on open claims.

D&O and ELL Notice / Claim Reporting Provisions

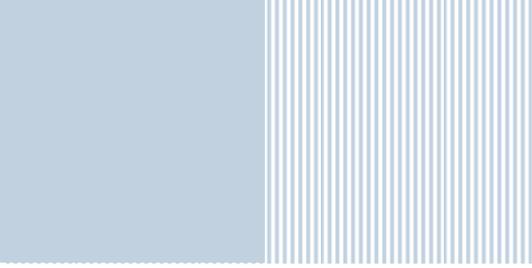
Settlement Conferences:

Upon receipt of notice of a conference the same notification requirements to Risk Management apply as stated above, however: the insurance company will:

- Assign a claim file number;
- Confirm the receipt of the Claim or circumstance in writing to State of Oklahoma Risk Management Division and Marsh USA, Inc.
- Issue a coverage opinion letter outlining the policy provisions based on the preliminary known facts of the reported Claim. This letter will be directed to State Risk Management for their review of coverage determination by insurer.

D&O and ELL Settlements and Judgments

- **Consent Clause:** The Insureds shall not admit or assume any liability, enter into any settlement agreement or stipulate to any judgment without the prior written consent of the Insurer;
- **Cooperation Clause:** The insurer shall have the right to effectively associate with the Insureds in the defense of any Claim that appears reasonably likely to involve the Insurer, including but not limited to negotiating a settlement. The insureds shall give the Insurer full cooperation and such information as it may reasonably require;
- **“Hammer Clause”:** In the event the Insured’s do not consent to the first Settlement Opportunity within the time prescribed, then, the Insurer’s liability for all Loss on account of such Claim shall not exceed the amount for which the Insurer could have settled such Claim (“Settlement Opportunity Amount”).



Public Employee Dishonesty

Public Employee Dishonesty

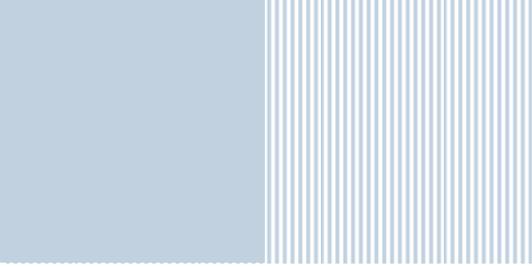
- Employee Theft Coverage – Per Employee Coverage
- Pays for loss of or damage to money, securities, and other property resulting directly from theft committed by each employee, whether identified or not, acting alone or in collusion with other persons. Also pays for loss or damage to money, securities, and other property resulting directly from the failure of any employee to faithfully perform his or her duties as prescribed by law, when such failure has as its direct and immediate result a loss of your covered property
- ***Fulfills bond requirements as stated in the Oklahoma Statute Title 74-85.26-31 – (Schedule of Amounts of Surety Required)***
- \$50,000 Limit per Employee all State Departments, Agencies, Institutions, Commissions, Authorities and other Bodies of Govt.
- \$5,000 Deductible per Occurrence

Public Employee Dishonesty

- **Duties in the Event of Loss:**

After you discover a situation that may result in loss of or damage to money, securities or other property you must:

- Notify State Risk Management as soon as possible;
- Submit to examination under oath if requested and give a signed statement of your answers;
- Provide a detailed, sworn proof of loss within 120 days;
- Cooperate in the investigation of any claim.



Property

Property Coverage – FY 2009

- Covers loss or damage to property **reported** to Risk Management
- **\$1,000,000,000** Loss Limit per Occurrence
- **Deductible** varies by agency
- Applicable **sublimits**:
 - \$125,000,000 Loss of Income (limited to those agencies reporting values)
 - \$10,000,000 Loss of Income for agencies not reporting values
 - \$15,000,000 Tuition and Fees (limited to values reported by specific agencies)
 - \$125,000,000 Each Occurrence and Annual Aggregate Earth Movement

Property Coverage – FY 2009

■ **Flood Sublimits:**

- \$200,000,000 Each Occurrence and Annual Aggregate Flood; except
- \$100,000,000 Each Occurrence and Annual Aggregate Flood For Properties located in the 100 Year Flood Zone as defined by FEMA

Property Coverage – FY 2009

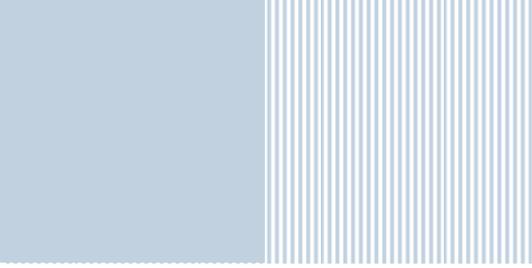
■ Exclusions:

- Aircraft, watercraft, satellites, and motor vehicles licensed for road use
- Electronic Data Limitation
- Electronic Data Recognition Exclusion
- Fungi Exclusion – (mold)
- Growing Crops or Drying Crops
- Money and Securities
- Spacecraft launch vehicles, launch sites, and components
- Underground mines, caverns, tunnels and any property contained therein, except this exclusion does not apply to pedestrian tunnels and walkways or the following items per schedule on file:
waterlines, sewer lines, fiber optic lines, electrical lines or cable lines whether above or below the ground

Property Coverage – FY 2009

- **Claim Reporting:**

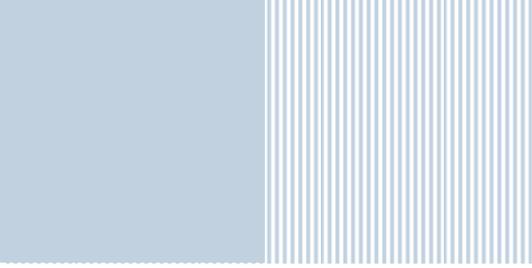
Report any and all claims to Risk Management **immediately** whether or not you believe it will exceed your deductible.



Fine Arts

Fine Arts Policy FY 2009

- Covers **fine arts and collectible objects of every description** including but not limited to paintings, drawings, prints, rare books and manuscripts, rugs, tapestries, etchings, photographs, numismatic objects, jewelry, sculpture, ceramics, video artwork and other bonafide works of art, or rarity, historic value, or artistic merit reported to State Risk Management.
- Limits:
 - **\$1,000,000,000** Any one Event
 - \$50,000,000 Unnamed Location Limit Domestic
 - \$50,000,000 Unnamed Location Limit International
 - \$10,000,000 Transit Limit Worldwide
 - \$100,000,000 Optional Certified Terrorism
 - \$100,000,000 Working Libraries (Library Books)
- **Deductible: Nil**



**Additional Coverage Available
through
State Risk Management**

Additional Coverage Available Through SRM

Auto Physical Damage Coverage:

- Provides for risk of direct physical loss or damage to **scheduled** state owned vehicles, buses, trailers, and equipment

Deductible(s):

- 3% of vehicle value, subject to a minimum of \$2,500 and maximum of \$5,000 for vehicles valued at \$25,000 and less;
- 5% of vehicle value, subject to a minimum of \$5,000 for vehicles valued at \$25,001 and over;
- \$50,000 per Occurrence Aggregate applies to wind and/or hail (including tornado).

Other Coverage Available through SRM

- **Public Entity General Liability and Automobile Liability** for State employees while *traveling outside of the state of Oklahoma* for business purposes
- **Foreign General Liability, Automobile Liability, Employers Responsibility Coverage, Accidental Death and Dismemberment and Executive Assistance Services** for State employees while *traveling overseas* for business purposes
- **Aircraft Hull and Liability** for State *owned* aircraft

Please contact Risk Management for additional information.