Segal Select Insurance

Industry and Local 338 Pension Fund and Industry & Local 338 Welfare Fund

FIDUCIARY LIABILITY INSURANCE

Policy No. MFL0014934

May 21, 2018

Segal Select Insurance

333 West 34th Street New York, NY 10001-2402
T 212.251.5000 www.segalsi.com

MEMORANDUM

To: Alicia Cochran
Account Executive

From: Angie Begazo
Matthew Jackson

Date: May 21, 2018

Re: Fiduciary Liability Insurance
Industry and Local 338 Pension Fund and Industry & Local 338 Welfare Fund
Policy No. MFL0014934

Thank you for the opportunity to provide a quotation for this renewal of Fiduciary Liability coverage. We recommend renewing coverage with the incumbent carrier, Ullico/Markel based on the broadened scope of coverage, competitive premium and continuity of coverage. Our recommendation is based on our review of responses from the carrier that provided a quote, as summarized below. [1]

Carrier	Premium	Limit of Liability	Response
Ullico/Markel (incumbent)	**$33,919**	**$10-million**	**RECOMMENDED—Key decision variables: broadened scope of coverage, competitive premium continuity of coverage and a renewal guarantee.**
Euclid/Hudson	**$37,514**	**$10-million**	**ALTERNATIVE OPTION**

Additional information is available in the attached sections outlined on the next page. Please advise us of the Trustees' decision at the earliest convenience, but not later than June 8, 2018. If we have not received contrary instructions from you, we will bind coverage with the recommended insurer to avoid a lapse in coverage.

1 We received written communication from Chubb and Hartford and verbal communications from Axis, Great American and Travelers advising us that they would not be providing quotes because they could not offer better premiums and/or coverages than the current carrier.

If you have any questions, please contact:

- Broker: Angie Begazo, RPLU
  Insurance Broker
  212-251-5421
  abegazo@segalsi.com

- Lead Regional Consultant: Matthew Jackson, RPLU
  Senior Vice President
  212-251-5387
  mjackson@segalsi.com

cc: John Urbank

Table of Contents

Industry and Local 338 Pension Fund and Industry & Local 338 Welfare Fund
Fiduciary Liability Insurance

Policy No: MFL0014934

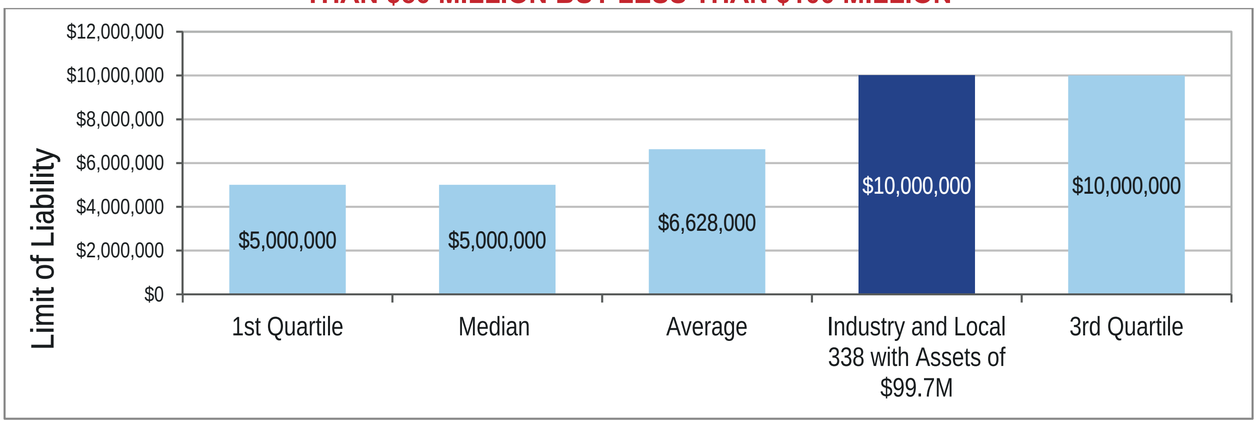
May 21, 2018

Limit of Liability and Premium

Limit of Liability

Ullico/Markel and Euclid/Hudson provided renewal proposals at the expiring $10-million limit, which we can support based on the current asset size of the Funds. Our proprietary benchmarking data illustrates what similar sized Funds typically purchase in limits.

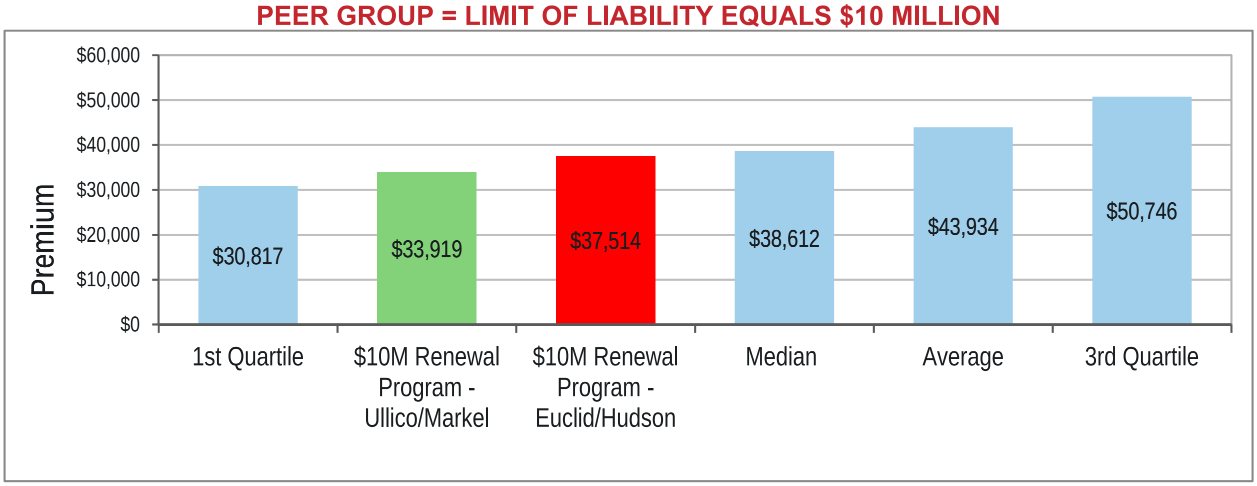
PEER GROUP = ASSETS EQUAL TO OR GREATER THAN $50 MILLION BUT LESS THAN $100 MILLION



Premium

For this renewal, Ullico/Markel quoted a premium increase of $13 (.04%), the renewal premium falls below the Medium and remains competitive in the current market.

PEER GROUP = LIMIT OF LIABILITY EQUALS $10 MILLION



Comparison of Policy Terms and Conditions

Terms of Expiring Policy and Proposed Renewal Policies[1]

	Expiring Terms	Renewal Options	
		Recommended	Alternative Option
Description	Ullico/Markel	Ullico/Markel	Euclid/Hudson
Policy Terms and Conditions			
• Rating by A.M. Best[2]	A	A	A
• Policy Period	6/10/2017 – 6/10/2018	6/10/2018 – 6/10/2019	6/10/2018 – 6/10/2019
• Limit of Liability	$10-million	$10-million	$10-million
• Basic Premium	$33,906	$33,919	$37,514
• Recourse Premium	$150	$150	$150
• Deductible	$0	$0	$0
Coverages/ Endorsements[3]			
• 502 (l) & (i) Coverages	✓	✓	
• 502(c) & PPA Coverages	$200,000 sublimit	***$250,000 sublimit***	$250,000 sublimit
• Administrative Errors & Omissions	✓	✓	✓
• Affirmative Equitable Relief Coverage	✓	✓	✓
• COBRA Coverage	✓	✓	✓
• Conduct Exclusions – Final Adjudication	✓	✓	✓
• Duty to Defend	✓	✓	✓
• Enforcement Agency Interview Coverage	✓	✓	✓
• First Party Benefit Overpayments Coverage	$100,000 sublimit	$100,000 sublimit	$100,000 sublimit
• First Party Cyber Essentials	×	×	$100,000 sublimit
• Hammer/Settlement Clause Deleted	✓	✓	✓
• HIPAA Fines/Penalties	No sublimit	No sublimit	No sublimit
• IRC 4975 & 4976 Tax Coverage	No sublimit	No sublimit	No sublimit

1 Please note that this chart is not a bill for payment, and you should not make any remittance from it. A bill will be issued separately upon receipt of binding instructions. These policy summaries are not legal interpretations of coverage. Fiduciary Liability is a legal contract that Plan Counsel should review.

2 Segal Select Insurance can recommend insurance carriers with an A.M. Best rating of "A" or better.

3 See attached glossary for definitions of selected coverage terminology appearing in this table.

	Expiring Terms	Renewal Options	
		Recommended	Alternative Option
Description	Ullico/Markel	Ullico/Markel	Euclid/Hudson
• Misc. Regulatory Penalty Coverage	$250,000 sublimit	$250,000 sublimit	$250,000 sublimit
• Non-cancellable except for non-payment	✓	✓	✓
• Non-Fiduciary Defense Coverage	$2-million sublimit	$2-million sublimit	$2-million sublimit
• Penalty Box or Umbrella Endorsement	×	×	$250,000 sublimit, Includes Misc. Penalties
• Pending & Prior Litigation Exclusion	6/10/2000	6/10/2000	6/10/2000
• Plan Sponsor and Settlor Coverage	✓	✓	✓
• Pre-Approved Fund Counsel/Ability to Select Counsel	Ability to Select Counsel	Ability to Select Counsel	Ability to Select Counsel
• Pre-Claim Investigation Coverage	✓ DOL, PBGC, "similar governmental enforcement agency"	✓ DOL, PBGC, "similar governmental enforcement agency"	✓ DOL, PBGC, IRS, HHS, SEC
• PPACA Fines/Penalties	No sublimit	No sublimit	No sublimit
• Renewal Guarantee	×	✓	✓
• Severability Coverage	✓	✓	✓
• Section 203 Bipartisan Coverage	$250,000 sublimit	$250,000 sublimit	No sublimit
• Spousal/Domestic Partner Coverage	✓	✓	✓
• Surcharge/Equitable Relief	✓	✓	✓
• Voluntary Settlement Program	$250,000 sublimit	$250,000 sublimit	$250,000 sublimit One reinstatement per policy period

✓ Included in the policy × Not included

Carrier Subjectivities

This section summarizes the additional information the carrier will require in order to bind coverage.

Ullico/Markel

- There are no subjectivities at this time.

Trustees List

Please review the accuracy of the attached listing in determining the elimination of recourse. If there are any discrepancies, please contact us immediately to avoid any billing problems.

1. Bresten, Theresa M.
2. Dunker, Roberta
3. Palmer, Chris
4. Polesel, Lori
5. Russell, Barry
6. Smith, Mickey

Recommendation

Our recommendation is based on the following:

Scope of Coverage

At this renewal, Ullico/Markel will provide expanded scope of coverage, including increasing the 502(c) Penalty sublimits from $200,000 to $250,000.

Ullico/Markel will also bind coverage with a two-year renewal guarantee endorsement. The premium would be payable in equal annual installments, and the second year of coverage is subject to the terms and conditions contained within that endorsement. While there is no break in premium for doing so, we still recommend binding coverage for two years in order to lock in premium and because no additional underwriting information would be required next year.

Continuity of Coverage

Continuity is a concept addressing the scope of coverage provided by a renewal policy from the incumbent carrier or a new policy from a new carrier. The policy in force when a claim is made will determine whether coverage is or is not provided. When renewing coverage with the incumbent or moving coverage to a new carrier, the insured should determine whether the renewal (or new) policy will provide at least the same scope of coverage as the expiring policy. In particular, a new carrier may wish to limit coverage in some fashion.

To maintain continuity, any additional policy exclusions, new Pending & Prior Litigation dates, and/or new Prior Acts dates that exist should be reviewed.

Supplemental Information for Insureds

The following material is presented in an effort to provide a better understanding of the offered coverage. While all fiduciary liability insurance policies follow a similar format, substantial differences exist between carriers. Fiduciary Liability insurance is a contract between the Insureds and the Insurer. Segal Select Insurance recommends Trustees familiarize themselves with the policy's basic coverage features, especially those that require action on your part, and that plan counsel review all fiduciary policies. Of course, as your broker, we are always available for your questions.

Notice of Claim

The policy language requires that the carrier be notified as soon as practicable if the insured becomes aware of an occurrence that could give rise to a claim. Within this context, it is important to note that the policy's definition of claim is broader than just a lawsuit filed against the plan or its trustees. For example, in certain instances even a letter making a demand might be a claim. If a claim, especially a lawsuit, is brought against the insured, the claim or suit must be forwarded to the carrier immediately. Failure to do so could jeopardize coverage under the policy.

Disclosure in an application does not meet these terms and conditions. All regulatory audits or investigations should be treated as a claim and noticed to the insurance carrier as soon as the first written communication from a regulatory agency is received.

Notice must be in accordance with the policy's terms and conditions and must be sent to a designated address. All electronic claim notifications to be processed by Segal Select Insurance Services, Inc. **must** be sent to claims@segalsi.com. Please copy me on any notification, but Segal Select Insurance Services, Inc. is not responsible for the processing of any electronic claim notification if it is not addressed to claims@segalsi.com.

Insured's Obligation to Notice the Insurer

In addition to an obligation to notice the insurer of any claim or circumstance as soon as practicable, the policy will, or may, obligate the Insured to provide notice to the insurer in other instances.

Please note that insurance coverage cannot be bound or changed via email or voicemail message unless confirmed by a licensed broker.

Compensation

Information about how we are compensated is available here.

Learn More

For more information about Segal Select Insurance and our services, visit us online at www.segalsi.com.

Proposal Advisory

This proposal is a convenient outline of coverage forms, limits of insurance, policy endorsements and other terms and conditions provided to you in this quote memo.

Please review quotes/policies with legal counsel for specific terms, conditions, limitations and exclusions that will govern in the event of a loss.

In evaluating your exposures for loss, we have depended upon the information provided by you. If there are other areas that you think need to be evaluated prior to binding coverage, please immediately bring these items to our attention.

This quote memo does not amend, or otherwise affect, the provisions of coverage of any resulting insurance policy issued by any insurance company to you. It is your responsibility to check the policy or policies being purchased for accuracy.

This proposal is not a representation that coverage does or does not exist for any particular claim or loss under any policy. Coverage depends on the applicable provisions of the actual policy issued the facts and circumstances involved in each claims or loss and any applicable law.

Please advise if you have any questions for us.

Glossary of Terms

The statements below are not legal definitions. In all instances, the definitions contained within the policy will control coverage.

502 (l) & (i) Coverages	Section 502(l) of ERISA provides that the Secretary of Labor shall assess a civil penalty against a fiduciary equal to 20% of any damage award resulting from a breach of fiduciary duty. Section 502(i) of ERISA provides that the Secretary of Labor may assess a civil penalty, not to exceed five percent of the amount involved in each such transaction, against a party-in-interest in the case of a prohibited transaction.
502(c)/PPA Penalty Coverage	Section 502(c) of ERISA provides for the assessment of penalties for various administrative failures. This coverage also encompasses penalties imposed for violation of the Pension Protection Act of 2006.
Administrative Errors & Omissions	Basic coverage for negligent administrative acts, which is defined to mean giving advice to participants and beneficiaries with respect to a Trust or Plan, interpreting a Trust or Plan, and handling the records, effecting enrollment, and termination or cancellation of participants under a Trust or Plan.
Conduct Exclusions – Final Adjudication	Excludes claims based upon deliberately fraudulent acts or omissions or willful violations of any statute or regulations, or the gaining of any personal profit to which the insured was not entitled to, but will not apply unless a final adjudication establishes such acts.
Duty to Defend	Duty to defend, which is usually associated with the carrier's right to appoint defense counsel or, more typically, for the Insured to select defense counsel from a pre-approved list of "panel counsel", means that as long as any one pleading or allegation is a covered matter, the carrier must defend all the pleadings or allegations. This does not mean, however, that the carrier will be obligated to pay the settlement or judgment of an uncovered matter. "Duty to defend" applies only to the defense costs.
Enforcement Agency Interview Coverage	Defense coverage should an Insured be interviewed by an Enforcement Unit (except the DOL or PBGC) in connection with the individual's capacity as a fiduciary of the covered Fund or that Fund's business activities.
First Party Cyber Reimbursement	Coverage is provided for first-party content restoration and crisis notification expenditures for information breaches as part of the base policy. The policy reimburses a benefit plan for certain expenses in responding to an information breach.
First Party Benefit Overpayments Coverage	Coverage is provided for benefit overpayments based on miscalculations, subject to a sublimit, that cannot be paid out of trust assets or recovered from beneficiaries after a "reasonable effort" has been made to recover them, even if a formal Claim has not been made against an Insured. If a formal Claim against an Insured has been made regarding the alleged overpayment(s), full policy limits may be available, subject to the specific fact pattern of the claim and the other terms and conditions of the policy.
Hammer/Settlement Clause Deleted	Removes clause from policy so that if the Insured rejects a proposed settlement, the carrier cannot cap or limit its exposure to the amount of the initial proposed settlement.
HIPAA Coverage	Amends policy to include coverage for allegations of a violation of HIPAA. Coverage is also extended to include the fines and penalties that can be imposed by HIPAA.

IRC 4975 & 4976 Tax Coverage	Section 4975 of the IRS Tax Code provides for the assessment of tax penalties, equal to 15 percent of the amount involved, or if the prohibited transaction is not corrected within the taxable period, 100 percent of the amount involved, on prohibited transactions between the plans and disqualified persons. Section 4976 of the IRS Tax Code provides for the assessment of tax penalties for a disqualified benefit, as that term is defined, provided by an employer-maintained welfare benefit fund - the penalty can be equal to 100 percent of such disqualified benefit.
Misc. Regulatory Penalty Coverage	Coverage for various regulatory fines and penalties are provided that would not already be covered by the policy and not uninsurable by law. This includes regulatory agencies including the DOL, IRS, or similar regulatory bodies.
Non-cancellable except for non-payment	Carrier cannot cancel the policy for any reason other than non-payment of premium.
Non-Fiduciary Defense Coverage	This endorsement will provide defense costs coverage for Trustee functions beyond fiduciary duties. We believe this is a valuable coverage for Funds that may need to consider benefit changes, other amendments, or regulatory issues that are the responsibility of the Trustees but may not clearly fall within a breach of fiduciary duty. This coverage provides defense only and is subject to a sublimit.
Pending and Prior Litigation Exclusion	The pending and prior litigation exclusion restricts coverage for claims that are a result of any current or past lawsuits. Full coverage is provided for claims not previously litigated or reported.
PPACA Coverage	Coverage is provided for civil fines and penalties imposed pursuant to the Patient Protection and Affordable Care Act (PPACA).
Pre Approved Fund Counsel	Pre-Approved Fund Counsel, provides the insured the option to select defense counsel to defend any claim, other than any “Mass or Class Action Claim”, first made against the insured.
Pre-Claim Investigation Defense	Coverage for "pre-claim" defense costs at the commencement of a DOL investigation. Typically, coverage during a DOL investigation is not provided until after a clear focus of the investigation is identified or breaches of fiduciary duty allegations are actually alleged.
Sec 203 Bipartisan Budget Act '13	Section 203 of the Bipartisan Budget Act of 2013 limits access to the Social Security Administration's (SSA) Death Master File (DMF). Funds need to become certified under the law and agree to maintain information obtained under certain safeguards. The Department of Commerce will review eligibility of applicants, examine the safeguards and conduct audits of certified entities to ensure compliance. Penalties can be assigned if there are findings during the audit.
Severability Coverage	The severability clause allows coverage to apply separately to each insured under the policy.
Spousal/Domestic Partner Coverage	Amends the policy to include coverage for an insured’s spouse or domestic partner should they be named as a defendant in an otherwise covered claim.
Surcharge/ Equitable Relief	Coverage is provided for appropriate equitable relief (including but not limited to a surcharge) to redress violations for Section 502(a)(3) of ERISA which provides that a civil action may be brought by a participant, beneficiary, or fiduciary to enjoin any act or practice which violates ERISA.
Voluntary Settlement Program	Additional coverage for fees, sanctions, and penalties assessed by the IRS or DOL pursuant to a voluntary settlement or compliance program, such as the IRS EPCRS or DOL Delinquent Filer Program. These losses typically cannot be paid from plan assets.

PROTECTING YOUR FUNDS FROM VARIOUS RISKS

Segal Select Insurance

Benefit funds have various risk exposures because of the many functions they perform. One of the mechanisms to help manage risk is the purchase of insurance protection that permits the transfer of fund and trustee risk to an insurance carrier.

CORE PRODUCTS FOR FUNDS OF ALL TYPES

Fiduciary Liability Insurance
Protects trustees from allegations of breach of fiduciary duty

Fidelity Bond
Protection from costs associated with employee dishonesty, theft and third party crime losses

Cyber Liability Insurance
Protects funds from costs associated with cyber risks

Employment Practices Liability Insurance (EPLI)
Protection for allegations of employment wrongdoing

DOES THE FUND OWN PROPERTY, HOST EVENTS, AND CONDUCT TRAVEL?

Property & Casualty
Protects and provides liability in case the fund is found legally responsible causing injuries or damages to others

Event Cancellation Insurance
Protects from unforeseen losses related to hosting events

Travel Accident Insurance
Protects for losses due to accidental death and dismemberment during business travel

DOES THE FUND PROVIDE SERVICE TO OTHERS?

Miscellaneous Errors
Protects against allegations of errors and omissions

Employed Lawyers
Protects a funds' in-house attorneys from legal advice allegations

Medical Professional Insurance
Protects for allegations of wrongful practices and services

Retiree Representatives
Protection designed for MPRA representatives for errors and omissions

DOES THE FUND MANAGE TRAINING FACILITIES?

Educators Liability
Protects against claims alleging improper or insufficient training

Directors and Officers
Protects for various operational exposures related to managing a training facility

Media
Protects against various personal injury allegations

Student Accident
Responds to injury of students, volunteers or participants

To learn more about Segal Select Insurance Services, visit our website at www.segalsi.com or contact Diane McNally, Senior Vice President, Senior Consultant and Principal at 212.251.5146, dmcnally@segalsi.com or Matthew Jackson, RPLU, Senior Vice President, Consultant at 212.251.5387, mjackson@segalsi.com.