Segal Select Insurance

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

CYBER LIABILITY INSURANCE

Policy No. FF106818583CY

September 11, 2018

Segal Select Insurance

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REVISED MEMORANDUM

To: Alicia Cochran
Account Executive

From: Angie Begazo
Insurance Broker

Date: September 11, 2018

Re: Cyber Liability Insurance
Industry and Local 338 Pension Fund and Industry & Local 338 Welfare Fund
Policy No. FF106818583CY

Thank you for the opportunity to provide quotations for this renewal of cyber liability coverage. We recommend renewing coverage with the incumbent carrier, Travelers, based on the broadened scope of coverage, competitive premium, and continuity of coverage.

Please be advised that AXIS provided ***indications only***. If coverage is bound with AXIS, then firm prices will be confirmed once their subjectivities are reviewed and accepted.

Our recommendation is based on our analysis of our review of responses from the carriers that provided quotes, as summarized below.

Carrier	Premium	Limit of Liability	Response
Travelers (incumbent)	$1,787	$1-million	RECOMMENDED – Key decision variables: broadened scope of coverage and competitive premium
	$2,501	$2-million	
	$3,020	$3-million	
AXIS	$2,317	$1-million	ALTERNATIVE OPTION - Key decision variables: as outlined
	$4,243	$2-million	

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 September 28, 2018. If we have not received contrary instructions from you, we will bind coverage with the recommended insurer to avoid a lapse in coverage.

If you have any questions, please contact us:

➤ Broker:	Angie Begazo, RPLU Insurance Broker 212-251-5421 abegazo@segalsi.com
➤ Lead Regional Consultant:	Matthew E. Jackson, RPLU Senior Vice President 212-251-5387 mjackson@segalsi.com

cc: John Urbank/NY

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Recommendation

Limit of Liability

Travelers provided renewal proposals on limits of $1-million, as expiring as well as higher limit options of $2-million and $3-million. AXIS provided quotes for $1-million and $2-million limits. Travelers offer a three-limit structure that do not affect or dilute each other.

Premium

At the expiring limit, Travelers quoted a premium increase of $154 (8.6%), based on the various coverage enhancements, which remains competitive in the current market. As higher limits options are offered at $2-million and $3-million, the premiums quoted become more competitive where the carriers' rate-per-million improves by 23.4% and 38.3%, respectively.

Scope of Services

Cyber Liability offers many insuring agreements, each of which should be reviewed as they provide specific types of coverage. The basic "package" of coverage includes breach response services and expenses (first party expenses) and liability claims that may subsequently arise (third party exposure), but significant differences exist between insuring agreements.

Travelers separate their first and third party coverages into completely separate limits that do not impact each other. They break out the first party coverages further by offering a third limit of liability specifically for notifications and credit monitoring on a head count basis, rather than a specific dollar amount.

For this renewal, Travelers continues to offer broad scope of coverages as well as enhanced coverages as follows:

- Contingent Business Interruption – Outsource Provider Endorsement sublimited to $100,000;
- Computer Theft Fraud, sublimited at $100,000
- Fund Transfer Fraud, sublimited at $100,000
- Reputational Harm Insuring Agreement Endorsement sublimited to $100,000;
- Telecommunication Fraud coverage sublimited to $100,000;
- Social Engineering coverage, sublimited to $100,000.

Scope of Services

Cyber Liability Insurance carriers also provide various pre- and post-breach services to their policyholders. While these services vary between carriers and may be subject to separate, discounted rates, they can include:

- Online Cyber Security Education including Security Awareness Basics and Security Awareness for Information Technology;
- Network Vulnerability Scans;
- Password Defense services;
- Phishing simulations to test your workforce with a simulated email attack;
- Online portal for policyholders with additional services and information;
- 24-hour hotline and email to report potential breach events.

Comparison of Policy Terms and Conditions

Terms of Expiring Policy and Proposed Renewal Policies[1]

	Expiring Terms	Renewal Options				
		Recommended			Alternative Option	
Description	Travelers	Travelers			AXIS	
Policy Terms and Conditions						
• A.M. Best Rating[2]	A++	A++			A+	
• Policy Period	10/04/2017 – 10/04/2018	10/04/2018 – 10/04/2019			10/04/2018 – 10/04/2019	
• Limit of Liability	$1-million	$1-million	$2-million	$3-million	$1-million	$2-million
• Basic	$1,633	$1,787	$2,501	$3,020	$2,317	$4,243
• Pending & Prior Litigation Date	10/4/2017	10/4/2017			10/4/2017	
• Retroactive Date	Full Prior Acts	Full Prior Acts			Full Prior Acts	
• Deductible	$2,500	$2,500			$2,500	$5,000
First Party Expense Coverage's & Third Party Liability Coverages						
• Aggregate Limit of Liability	$1-million	$1-million	$2-million	$3-million	$1-million	$2-million
• **Retention**	$2,500	$2,500			$2,500	$5,000
• Business Interruption	✓ 8 hour waiting period	✓ 8 hour waiting period			✓ 6 hour waiting period	
• **Computer Fraud Transfer**	✗	✓ **$100,000 Sublimit/ $5,000 retention**			✗	
• **Consequential Reputational Loss**	✗	✓ **$100,000 Sublimit/ $5,000 retention**			✓	
• Data Protection	✓	✓			✓	
• Contingent Business Interruption – IT Provider	✓ $100,000 sublimit	✓ $100,000 sublimit			✓ $1-million sublimit	
• **Contingent Business Interruption – Outsource Provider**	✗	✓ **$100,000 sublimit**			✗	
• **Fund Transfer Fraud**	✗	✓ **$100,000 Sublimit/ $5,000 retention**			✗	

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. Cyber 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.

<table>
<tr><td>• Criminal Reward Coverage</td><td>×</td><td>×</td><td colspan="2">✓
$50,000 sublimit
$0 retention</td></tr>
<tr><td>• Ransomware</td><td>✓</td><td>✓</td><td colspan="2">✓</td></tr>
<tr><td>• PCI Fines & Penalties</td><td>×
available but only if affirmatively PCI compliant</td><td>×
available but only if affirmatively PCI compliant</td><td colspan="2">✓</td></tr>
<tr><td>• Regulatory Defense/Penalties</td><td>✓</td><td>✓</td><td colspan="2">✓</td></tr>
<tr><td>• Security & Privacy Liability</td><td>✓</td><td>✓</td><td colspan="2">✓</td></tr>
<tr><td>• Social Engineering Fraud Loss</td><td>×</td><td>$100,000 Sublimit/ $5,000 retention</td><td colspan="2">$250,000 Sublimit/ $5,000 retention</td></tr>
<tr><td>• System Failure</td><td>✓</td><td>✓</td><td colspan="2">✓</td></tr>
<tr><td>• Telecommunication Fraud</td><td>×</td><td>$100,000 Sublimit/ $5,000 retention</td><td colspan="2">$250,000 Sublimit/ $5,000 retention</td></tr>
<tr><td>• Public Relations and Crisis Management</td><td>✓</td><td>✓</td><td colspan="2">✓</td></tr>
<tr><td>• Voluntary Notifications</td><td>✓</td><td>✓</td><td colspan="2">✓</td></tr>
<tr><td>Breach Notification Services Coverages</td><td></td><td></td><td colspan="2"></td></tr>
<tr><td>Aggregate Limit of Liability</td><td>100,000 Notifications</td><td>100,000 Notifications</td><td colspan="2">250,000 Notification</td></tr>
<tr><td>Retention</td><td>Required notification of 100 individuals retention</td><td>Required notification of 100 individuals retention</td><td colspan="2">Required notification of 1,000 individuals retention</td></tr>
<tr><td>• Call Center Services</td><td>✓</td><td>✓</td><td colspan="2">✓</td></tr>
<tr><td>• Required Notifications</td><td>✓</td><td>✓</td><td colspan="2">✓</td></tr>
<tr><td>• Credit Monitoring/Identity Monitoring</td><td>✓</td><td>✓</td><td colspan="2">✓</td></tr>
<tr><td>Response Coverage Expenses</td><td></td><td></td><td colspan="2"></td></tr>
<tr><td>Aggregate Limit of Liability</td><td>$1-million</td><td>$1-million</td><td colspan="2">✓</td></tr>
<tr><td>• Retention</td><td>$0</td><td>$0</td><td>$2,500</td><td>$5,000</td></tr>
<tr><td>• Forensics</td><td>✓</td><td>✓</td><td colspan="2">✓</td></tr>
<tr><td>• Legal Expenses</td><td>✓</td><td>✓</td><td colspan="2">✓</td></tr>
</table>

✓ Included in the policy × Not included

Carrier Subjectivities

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

- Travelers
  - There are no subjectivities at this time.
- AXIS
  - Completed, signed and dated application

Supplemental Information for Insureds

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

Claims Made Extension Clause (Notice of a "Circumstance")

When moving coverage from one carrier to another, the Trustees should consider utilizing the Claims Made Extension Clause. To do so, they should inform the existing carrier, in writing, of any wrongful act (as defined in the current policy) which may subsequently give rise to a claim against the insured. This notice should be given before the expiration of the current policy. Thus, if anyone is aware of circumstances that could result in a claim, the old carrier would retain an ongoing responsibility if a resultant claim were actually made in the future. This is important because the new carrier, whether it requires notification of known potential claim circumstances or not, could exclude coverage if such claim were to actually materialize.

Extended Reporting Period

The Trustees may also consider purchasing an Extended Reporting Period. The Extended Reporting Period provides the Trustees an additional 12-month period to report claims that occurred up to the date of the policy's expiration. This coverage is available for an additional premium to be determined by the carrier. Some policies may also offer an automatic 60-day extended reporting period for no additional premium.

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 claims and should be noticed to the insurance carrier as soon as the first written communication from the regulatory agency is received.

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.

Compensation

Information about our how we are compensated is available on our website at here.

Learn More

For more information about Segal Select Insurance and our services, visit us online at www.segalselect.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 with legal counsel quotes/policies 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.

Claim Handling Methodology

The carriers offer claim handling services that involve either a carrier directed and assisted process or a selection of vendors the insured can interview and select, ideally in advance. For more detailed information on their approaches, please see their insurance company websites.

Glossary of Terms

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

Business Interruption	Provides coverage for the actual Income lost during the time an Insured is not able to operate their own computer systems following a cyber breach.
Call Center Services	Provides coverage for the provision of a call center to answer calls during standard business hours after a required notification is received by an affected individual.
Credit Monitoring/Identity Monitoring	Provides coverage for the costs associated with retaining a company to monitor the credit scores and identities of breached individuals.
Data Protection	Provides coverage for the costs associated with restoring a computer system's data to state before the cyber breach occurred.
First Party Contingent Business Interruption Loss	Provides coverage for a loss caused by a disruption in an Insured's service providers' systems.
Forensics	Provides coverage for reasonable and necessary expenses incurred by the Insured Organization to investigate the source or cause of the failure of Computer Security to prevent a Security Breach.
Legal Expense	Provides coverage for fees for services charged by an attorney to determine the applicability of and actions necessary for the Insured Organization or to provide necessary legal advice to the Insured Organization.
Media Liability	
Ransomware	Provides coverage for a type of malicious software designed to block access to a computer system until a sum of money is paid.
PCI Fines & Penalties	Provides coverage for the direct monetary fines, penalties, reimbursements, fraud recoveries, or assessments owed by the Insured Organization under the terms of a Merchant Services Agreement.
Required Notifications	Provides coverage for notifications required by law after a cyber breach or disclosure of information.
Public Relations and Crisis Management	Provides coverage for costs incurred by a public relations or crisis management consultant.
Regulatory Defense/Penalties	Provides coverage for a request for information, civil investigative demand, or civil proceeding commenced by service of a complaint or similar proceeding brought by or on behalf of a governmental entity.
Security & Privacy Liability	Provides coverage for the defense and indemnity of a Claim arising from a breach of Privacy Law.
Social Engineering Fraud Loss	For losses resulting from a fraudulent instruction by someone impersonating a fellow employee or vendor to part with money or securities from your account.
Voluntary Notifications	Provides coverage for notifications not required by law.

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.