Segal Select Insurance

Plumbers & Steamfitters Local 486 Pension Fund, Medical Fund, Severance & Annuity Fund, and Training Fund

CYBER LIABILITY INSURANCE

April 25, 2019

Segal Select Insurance

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

MEMORANDUM

To: David Jensen
Account Executive

From: Michael Lester, RPLU
Insurance Broker

Date: April 25, 2019

Re: Plumbers & Steamfitters Local 486 Pension Fund, Medical Fund, Severance & Annuity Fund, and Training Fund
Cyber Liability Insurance

Thank you for the opportunity to present cyber liability quotes for the Trustees' considerations.

While we received favorable quotes from both Beazley and Travelers, we recommend binding coverage with Travelers based on a broad scope of coverage, three aggregate limit structure that prevents limits from depleting each other, and a competitive premium and retention structure.

We can support binding any of the three limit options, but recommend consideration be given to binding one of the higher limit options based on the increasing frequency and severity of cyber breaches and favorable market conditions.

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

Carrier	Premium	Limit(s) of Liability	Response
Travelers	**$3,272**	**$1-million Response Coverage Expenses** **$2-million First & Third Party Coverages** **100,000 Notifications**	**RECOMMENDED OPTION — Key decision variables: broad scope of coverage, competitive premium and retention structure, and admitted status.**
	$3,773	**$1-million Response Coverage Expenses** **$3-million First & Third Party Coverages** **100,000 Notifications**	
Beazley	**$2,580**	**$1-million First Party Coverages** **$1-million Third Party Coverages** **50,000 Notifications**	**ALTERNATIVE OPTIONS**
	$3,060	**$1-million First Party Coverages** **$2-million Third Party Coverages** **50,000 Notifications**	
	$3,680	**$1-million First Party Coverages** **$1-million Third Party Coverages** **100,000 Notifications**	
	$4,370	**$1-million First Party Coverages** **$2-million Third Party Coverages** **100,000 Notifications**	
	$6,710 **+ $201.30 Surplus Lines Tax**	**$1-million First Party Coverages** **$3-million Third Party Coverages** **100,000 Notifications**	

Additional information is available in the attached sections outlined on the next page for your review. Please advise us of the Trustees' decision at the earliest convenience. If you have any questions, please contact us:

- Broker: Michael Lester, RPLU
  Broker
  212-251-5257
  mlester@segalsi.com
- Lead Regional Consultant: Matthew Jackson, RPLU
  Senior Vice President

212-251-5387
mjackson@segalsi.com

cc: Judith Goodstein/WDC

Table of Contents

Plumbers & Steamfitters Local 486 Pension Fund, Medical Fund, Severance & Annuity Fund, and Training Fund

April 25, 2019

Recommendation ... 1
- Limit of Liability ... 1
- Premium ... 1
- Scope of Coverage ... 1
- Scope of Services ... 1
- Non-Admitted Surplus Lines Disclosure (Only applicable to Non-Admitted Quotes) ... 2

Comparison of Policy Terms and Conditions ... 3
- Terms of Proposed Travelers Policy ... 3
- Terms of Proposed Beazley Policy ... 5
- Terms of Proposed Non-Admitted Beazley Policy ... 7

Carrier Subjectivities ... 9
- Important Note ... 9

Supplemental Information for Insureds ... 10
- Claims Made Extension Clause (Notice of a "Circumstance") ... 10
- Extended Reporting Period ... 10
- Notice of Claim ... 10
- Insured's Obligation to Notice the Insurer ... 11
- Compensation ... 11
- Learn More ... 11
- Proposal Advisory ... 11
- Claim Handling Methodology ... 11

Glossary of Terms ... 12

Recommendation

Limit of Liability

Travelers provided quotes at First Party Expense & Third Party Liability limits of $2-million and $3-million. Travelers also offers separate limits for Response Coverage Expenses and Breach Notification Services Coverages. Travelers' three separate aggregate limits do not affect or dilute one another in a breach event.

Premium

Travelers' premiums compare favorably to the other carrier's quotes and are in line with current market trends. Travelers' quotes also offer first dollar coverage for their initial cyber breach coverages.

Scope of Coverage

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 exposure) and liability claims that may subsequently arise (third party exposure), but significant differences exist between insuring agreements.

Travelers also offers a broad scope of coverage by offering coverage for:

- Accounting Costs coverage, offered at a $25,000 sublimit;
- An Insured favorable amended hammer clause to 80-20;
- Betterment Costs coverage, offered at a $100,000 sublimit and 50% coinsurance;
- Computer Theft coverage, offered at a $100,000 sublimit;
- Criminal Reward coverage, offered at a $25,000 sublimit;
- Contingent business interruption loss coverage endorsements, to include IT Provider System Failure, offered at a $100,000 sublimit;
- Funds Transfer coverage, offered at a $100,000 sublimit;
- Affirmative GDPR coverage;
- Boost enhancement, which allows the policy aggregate limit of liability to apply excess over the Response Coverage Expenses limit of liability and/or breach notification limit should the first party limit of liability be exhausted by a covered incident.

Scope of Services

Cyber Liability Insurance carrier 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.

Non-Admitted Surplus Lines Disclosure (Only applicable to Non-Admitted Quotes)

This insurance is issued by a nonadmitted insurer not under the jurisdiction of the Maryland Insurance Commissioner. The insurer does not possess a certificate of authority from the commissioner to engage in the insurance business in this state.

Comparison of Policy Terms and Conditions

Terms of Proposed Travelers Policy[1]

Description	Recommended Options	
Policy Terms & Conditions		
• Rating by A.M. Best[2]	A++	
• Policy Period	Annual Term	
• Admitted Status	Admitted	
• Pending & Prior Litigation Date	Inception	
• Retroactive Date	Full Prior Acts Coverage	
• Basic Premium	$3,272	$3,773
First Party Expense Coverages & Third Party Liability Coverages		
Aggregate Limit of Liability	$2-million	$3-million
Retention	$2,500	
• Accounting Costs Coverage	✓ $25,000 sublimit	
• Amended Hammer Clause	✓ 80-20	
• Betterment Coverage	✓ $100,000 sublimit 50% Coinsurance	
• Business Interruption	✓ 8 hour waiting period	
• Computer Fraud Coverage	✓ $100,000 sublimit	
• Consequential Reputational Loss	✓ $250,000 sublimit	
• Criminal Reward Coverage	✓ $25,000 sublimit $0 retention	
• Data Protection	✓	
• ERISA Exclusion	×	
• First Party Contingent Business Interruption Loss – Outsource Provider	✓ $100,000 sublimit 8 hour waiting period	

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 Fund Counsel should review.

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

Description	Recommended Options
	(Includes System Failure)
• First Party Contingent Business Interruption Loss – IT Provider	✓ $100,000 sublimit 8 hour waiting period (Includes System Failure)
• Funds Transfer Fraud	✓ $100,000 sublimit
• GDPR Cyber Endorsement	✓
• Media Liability	✓
• PCI Fines & Penalties (only if PCI compliant)	✓
• Personal Devices Coverage	✓
• Ransomware	✓
• Regulatory Defense/Penalties	✓
• Security & Privacy Liability	✓
• Social Engineering Fraud Loss	✓ $100,000 sublimit
• System Failure	✓
• Telecommunication Fraud	✓ $250,000 Sublimit
• Public Relations and Crisis Management	✓
Breach Notification Services Coverages	
Aggregate Limit of Liability	100,000 Notifications
Retention	Required notification of 100 individuals retention
• Call Center Services	✓
• Required Notifications	✓
• Credit Monitoring/Identity Monitoring	✓
• Voluntary Notifications	✓
Response Coverage Expenses	
Aggregate Limit of Liability	$1-million
Retention	$0
• Forensics	✓
• Legal Expenses	✓
• Boost Enhancement	✓

✓ Included in the policy ✗ Not included

Terms of Proposed Beazley Policy[1]

Description	Alternative Option			
	Beazley			
Policy Terms and Conditions[2]				
• Rating by A.M. Best[3]	A			
• Policy Period	Annual Term			
• Admitted Status	Admitted			
• Pending & Prior Litigation Date	Inception			
• Retroactive Date	Full Prior Acts Coverage			
• Basic Premium	$2,580	$3,680	$3,060	$4,370
First Party Expense Coverages				
Aggregate Limit of Liability	$1-million	$1-million	$1-million	$1-million
Retention	$2,500 ($1,250 for Legal Expenses only)			
• Forensics	✓			
• Legal Expense	✓			
• Public Relations and Crisis Management	✓			
• Voluntary Notifications	✓			
Breach Notfication Services Coverages				
Aggregate Limit of Liability	50,000 Notifications	100,000 Notifications	50,000 Notifications	100,000 Notifications
Retention	No retention/threshold for covered notifications			
• Call Center Services	✓ 90 days, 10,000 calls/day sublimit Required notification of 100 individuals retention			
• Required Notifications	✓			
• Credit Monitoring/Identity Monitoring	✓			
Third Party Liability Coverages				
Aggregate Limit of Liability[4]	$1-million	$1-million	$2-million	$2-million
Retention	$2,500			

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 Fund Counsel should review.
2 See attached glossary for definitions of selected coverage terminology appearing in this table.
3 Segal Select Insurance can recommend insurance carriers with an A.M. Best rating of "A" or better.
4 This limit can also apply as excess over the first party expense and/or breach notification limits.

Description	Alternative Option
	Beazley
• Business Interruption	✓
• Consequential Reputational Loss	✓ $1-million sublimit
• Criminal Reward Coverage	✓ $50,000 sublimit
• Data Protection	✓
• ERISA Exclusion	×
• First Party Contingent Business Interruption Loss	✓ $250,000 sublimit
• Funds Transfer Fraud	✓ $100,000 sublimit
• Non-Panel Service Provider	×
• PCI Fines & Penalties (only if PCI compliant)	✓
• Personal Devices Coverage	Silent
• Ransomware	✓ $1,000 retention
• Regulatory Defense/Penalties	✓
• Security & Privacy Liability	✓
• Social Engineering Fraud Loss	✓ $100,000 sublimit
• System Failure Coverage	✓
• Telecommunication Fraud	✓ $250,000 sublimit

✓ Included in the policy × Not included

Terms of Proposed Non-Admitted Beazley Policy[1]

Description	Alternative Option Beazley
Policy Terms and Conditions[2]	
• Rating by A.M. Best[3]	A
• Policy Period	Annual Term
• Admitted Status	Non-Admitted
• Pending & Prior Litigation Date	Inception
• Retroactive Date	Full Prior Acts Coverage
• Basic Premium	$6,710
• Surplus Lines Tax	$201.30
First Party Expense Coverages	
Aggregate Limit of Liability	$1-million
Retention	$2,500 ($1,250 for Legal Expenses only)
• Forensics	✓
• Legal Expense	✓
• Public Relations and Crisis Management	✓
• Voluntary Notifications	✓
Breach Notfication Services Coverages	
Aggregate Limit of Liability	100,000 Notifications
Retention	No retention/threshold for covered notifications
• Call Center Services	✓ 90 days, 10,000 calls/day sublimit Required notification of 100 individuals retention
• Required Notifications	✓
• Credit Monitoring/Identity Monitoring	✓
Third Party Liability Coverages	
Aggregate Limit of Liability[4]	$3-million
Retention	$2,500

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 Fund Counsel should review.
2 See attached glossary for definitions of selected coverage terminology appearing in this table.
3 Segal Select Insurance can recommend insurance carriers with an A.M. Best rating of “A” or better.
4 This limit can also apply as excess over the first party expense and/or breach notification limits.

Description	Alternative Option
	Beazley
• Business Interruption	✓
• Consequential Reputational Loss	✓ $1-million sublimit
• Criminal Reward Coverage	✓ $50,000 sublimit
• Data Protection	✓
• ERISA Exclusion	×
• First Party Contingent Business Interruption Loss	✓ $250,000 sublimit
• Funds Transfer Fraud	✓ $100,000 sublimit
• Non-Panel Service Provider	×
• PCI Fines & Penalties (only if PCI compliant)	✓
• Personal Devices Coverage	Silent
• Ransomware	✓ $1,000 retention
• Regulatory Defense/Penalties	✓
• Security & Privacy Liability	✓
• Social Engineering Fraud Loss	✓ $100,000 sublimit
• System Failure Coverage	✓
• Telecommunication Fraud	✓ $250,000 sublimit

✓ Included in the policy × Not included

Carrier Subjectivities

This section summarizes the additional information the carriers will require in order to bind coverage. All subjectivities must be reviewed by the carrier before coverage can be bound.

- *Travelers*
  - Completed, signed, and dated Travelers application.
- *Beazley*
  - Completed, signed, and dated Beazley application;
  - Surplus Lines Form – if non-admitted option is elected.

Important Note

You, the proposed Insured, represent and warrant that the information provided by you in connection with the application for insurance is complete and accurate through the later of the date that (i) coverage is bound or (ii) coverage becomes effective. You agree to immediately notify Segal Select Insurance Services, Inc., in writing, if any of the information included in the application changes between date the application for quotation/insurance coverage is submitted and the later of (i) the date of the quotation or the date coverage is bound or (ii) the effective date of coverage. You understand and acknowledge that the quoting insurance carriers may reserve the right to withdraw or amend any outstanding quotations based upon such changes and that Segal Select Insurance Services, Inc. will not have any liability whatsoever for the decisions of any quoting insurance carriers based on any such changes.

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 policies may 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 Fund 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")

Should consideration be made to move coverage from one carrier to another, the Insured should consider utilizing the Claims Made Extension Clause. To do so, one 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, event, situation or transaction that could result in a claim, the prior 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 Insured may also consider purchasing an Extended Reporting Period or commonly known as "Tail Coverage" should there be a change in exposure during the policy period. The Extended Reporting Period provides the Insured 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 or offer up to six years of coverage depending on product line and underwriting review.

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 Fund 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.
Consequential Reputational Loss	Provides coverage for the loss of income during the notification period directly related to the damage of an Insured's reputation caused by a breach
Credit Monitoring/Identity Monitoring	Provides coverage for the costs associated with retaining a company to monitor the credit scores and identities of breached individuals.
Criminal Reward Coverage	Provides coverage, at the Underwriter's sole and absolute discretion, for information leading to the arrest and conviction of an individual trying to having committed an illegal act under the policy.
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.
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	Provides coverage for losses resulting from a fraudulent instruction by someone impersonating a fellow employee or vendor to part with money or securities from your account.
Telecommunication Fraud	Provides coverage for losses caused by a third party's intentional, unauthorized, and fraudulent use of the Insured Entity's Telecommunications Services.
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.