

SAPPHIRE

S u m m i t

Management Liability

David Moone, Joe Buffalano, Angela Rimgaila, Joe Higgins

Agenda

- **Management Liability Overview**
 - What has changed
 - What is changing
 - What hasn't changed
 - Commitment to being a long-term partner
 - Excellence in claim handling
 - Appetite
 - Book makeup
- **Marketplace Conditions**
 - What are you seeing?

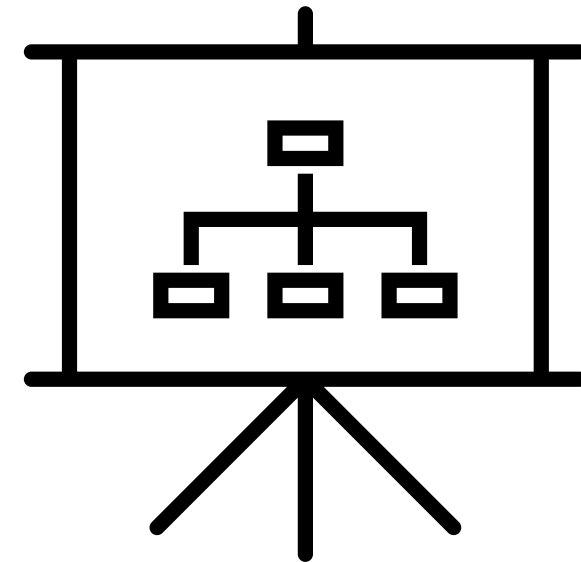
Management Liability Quiz Questions

1. How many total partners are we appointed with for ML?
2. What is one class of business that was previously designated as a “Do Not Write” but now we can consider?
3. In what state(s) are we looking to grow?
4. What LoBs are we looking to grow in CA?
5. What paper do we write on for primary?
6. What is our most frequent claim allegation?
7. What 2 industries make up the largest portion of our book of business?
8. What was the average claim payment in 2024 for IAT?

**Answers at
the end
With
Prizes!**

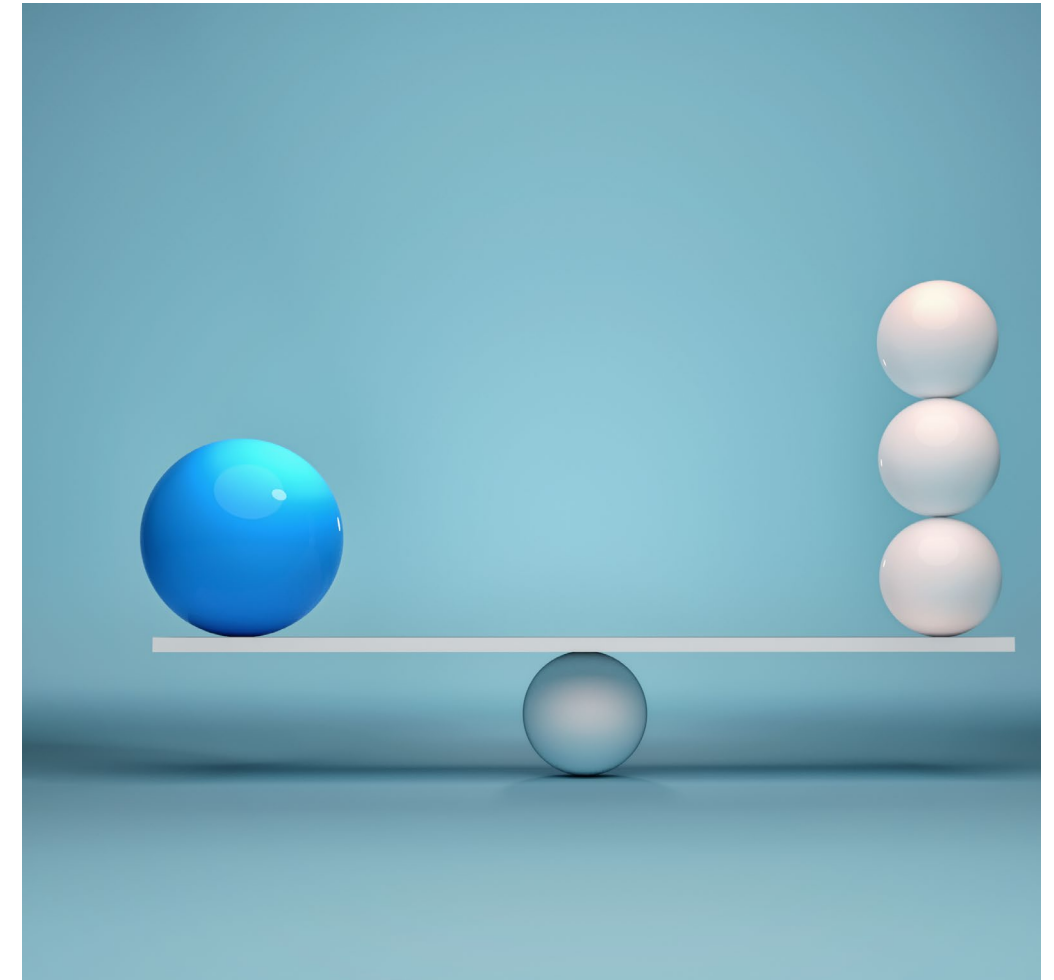
What Has Changed

- Leadership
- Team Structure – Regional team underwriting approach (West, Central, East)
 - Dedicated team of underwriters focused on understanding the nuances of doing business in their specified region
 - Same UW for both new and renewal business
 - More UWs will allow us to build stronger partnerships with you



What Has Changed

- Strategy – Book balance, Underwriting consistency and integrity
 - Through stronger relationships with our strategic partners and new regional structure
 - We've been really good at the monoline EPL and CA EPL
 - Need to grow package policies (with D&O) and excess
- Appetite – target industries, target states, account size
 - Updated underwriting guidelines to be more aggressive in more areas across the country
 - Healthcare (NFP HC), Oil & Gas, Real Estate, High-Tech, Biotech



What is Changing

- Product Diversity
 - Admitted and non-admitted primary and excess
 - Side A DIC
 - Reimbursement
 - More to come!
- Underwriter knowledge
 - Trainings for our UWs so they can better support your business



What Hasn't Changed

- You!!

- Distribution – committed to being wholesale only
- Limited distribution – 8 broker appointments

- Underwriting Managers

- Underwriting staff – average 4 years with IAT
(we've been writing business for only 5 years)

- 16 UWs including 2 that joined within the past 3 months
- Plus adds to staff to continue to provide best in class service



Committed to Being a Long-Term Partner

- **Expansion of Underwriting Team and Claim Team**
- **Underwriting, Product and Claim Partnership**
 - Ensuring alignment and intent; opportunity to make more informed decisions
- **Investment in technology**
 - **2025:** Launched a new workflow system → **Faster processing, faster decision making**
 - **2026:** Exploring ways to implement predictive analytics and AI → **Faster decision making**
- **Strategic adjustments to ensure our continued viability**

Committed to Being a Long-Term Partner

- **Appointed with 8 wholesale brokers**
- **Claims and Product expertise at your service**
 - Enhance your competitive edge with our value-added services designed to help differentiate you from your retailers
 - Broker training available by request
 - Creative solutions for complex risks and requests
- **Feedback Sharing**
- **Commitment to claims excellence**
 - Claim team understands unique nature of wholesale relationship
 - Growing team of knowledgeable professionals
 - Commitment to resolve faster and control costs

Excellence in Claims Handling – Duty to Defend

- **Better Cost Control and Predictability**
 - Pre-negotiated panel rates and disciplined billing reduce costs which protect the retention and limits
- **Better reputational management**
- **Faster resolutions**
- **Lower costs**
- **Quality**
 -
 -
- **Strong**
 -
 -
 -
- **Responsible Stewardship of Policyholder Funds**
 - Retaining choice of counsel ensures quality defense at a reasonable cost

Excellence in Claims Handling

IAT 2024 Average EPL claim was \$58,000

**Industry averages show most EPL claims cost between
\$75,000 and \$125,000***

Appetite

Target Classes of Business

- Aircraft or Aerospace Products
- Airports
- Construction Companies
- Distributors
- Explosives Manufacturing / Distribution / Storage (No Fireworks)
- Fraternal Organizations
- Education (K-12 and Higher Ed)
- Home Health Care
- Hospitality
- Hotels
- Manufacturing
- Marina / Yacht Clubs
- Medical Devices

Target Classes of Business

- Medical/Dental Offices
- Museums
- Non-Professional Services
- Oil and Gas, Upstream and Downstream
- Professional Firms - Architectural / CPA / Law
- Real Estate - Commercial & Corporate
- Residential Real Estate Owners / Managers / Agents (no REITs)
- Restaurants
- Retail
- 501c (3) [not for profit organizations, excluding 501c (6)]



Appetite

Tougher Classes We Can Consider

- Auto Dealers
- Behavioral Health Facilities
- Biotech / Pharmaceutical
- Casinos
- Country Club
- Daycare / Summer camp – No overnight camps / care or retreats
- Condominiums
- Entertainment and Broadcasting
- ESOP
- Hazardous or Toxic Chemicals
- High-Tech / AI / Software
- Hospitals
- Nursing Homes / Assisted Living / Adult Daycare
- Staffing Firms - Permanent placement preferred
- Start-ups - No bio-technology and pharmaceutical start-ups
- Unions



Book Makeup – YE 2025



Retail Trade
25.0%
Restaurants
Clothing Stores
Drinking Places
Misc. Retail Stores
Etc.



All Other
7.6%



Construction
5.5%



Manufacturing **9.5%**
Newspapers, Publishing
Signs and Advertisement
Food Preparation
Book Publishing and Printing
Bottled and Canned Soft Drinks
Office Furniture



**Transportation,
Communications,
Electric & Gas**
5.3%

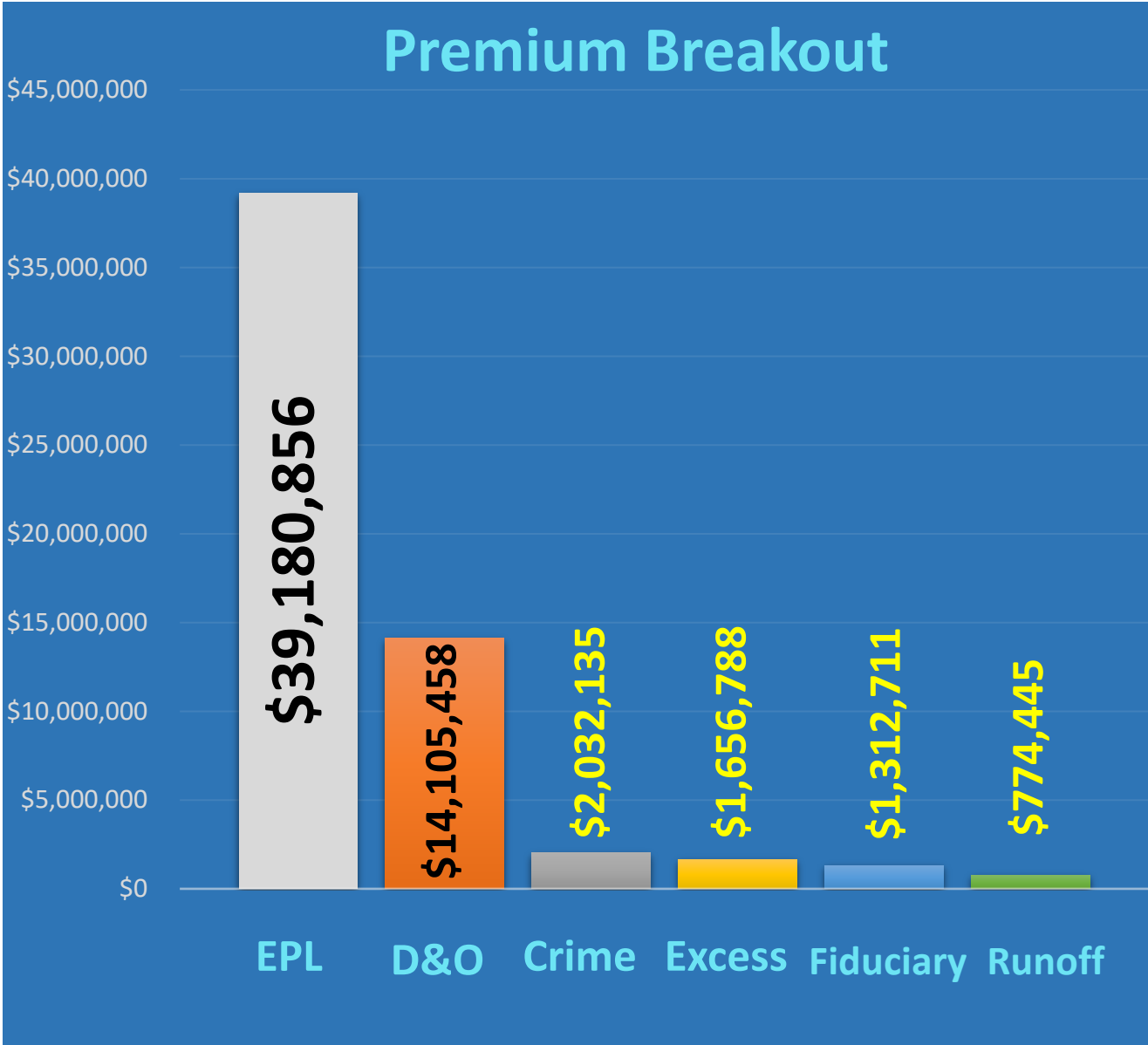
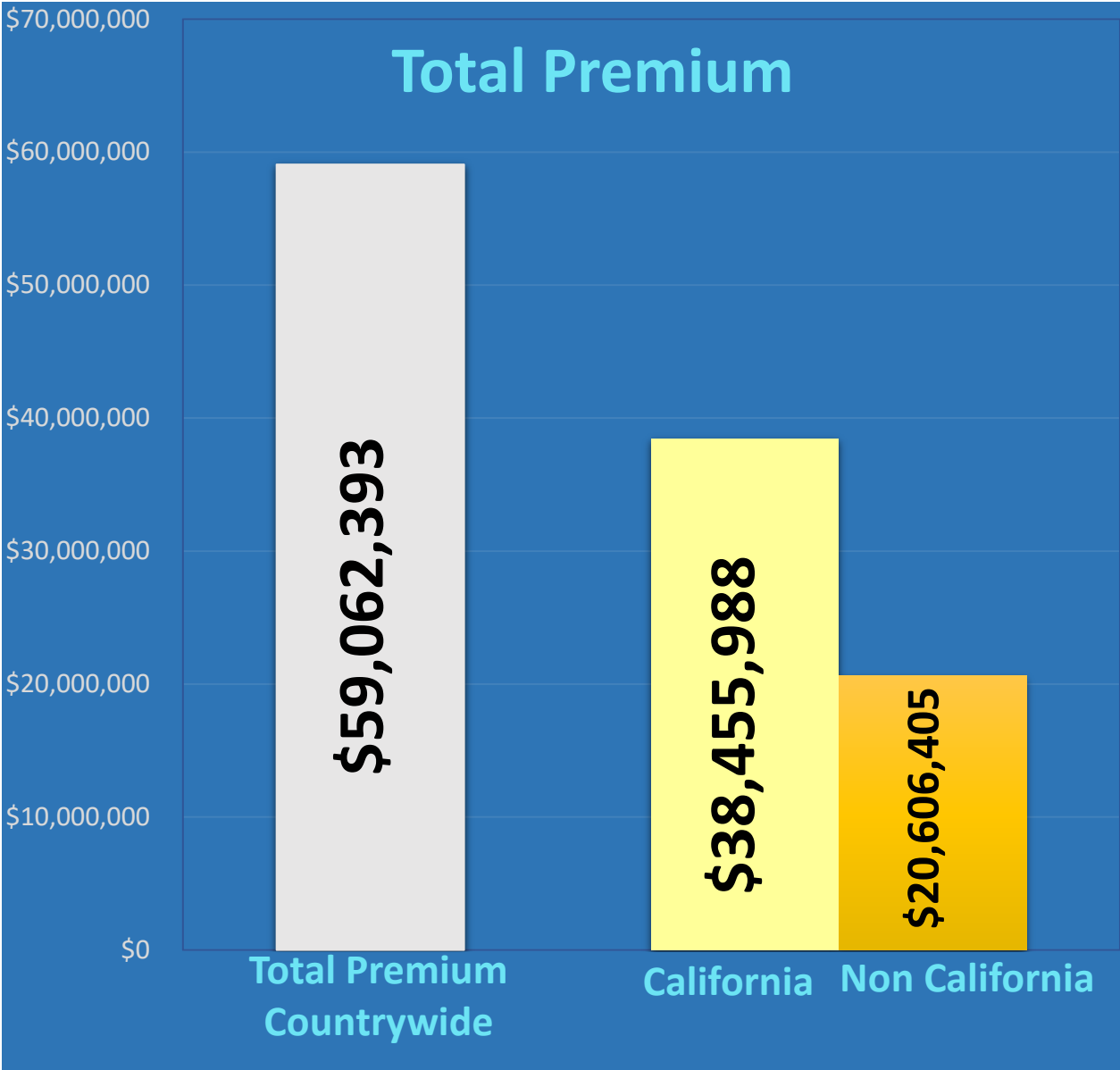


Services **40.6%**
Business Services
Management Services
Home Health Care
Legal Services
Hotels and Motels
Bands, Orchestras, Entertainment
Medical Offices

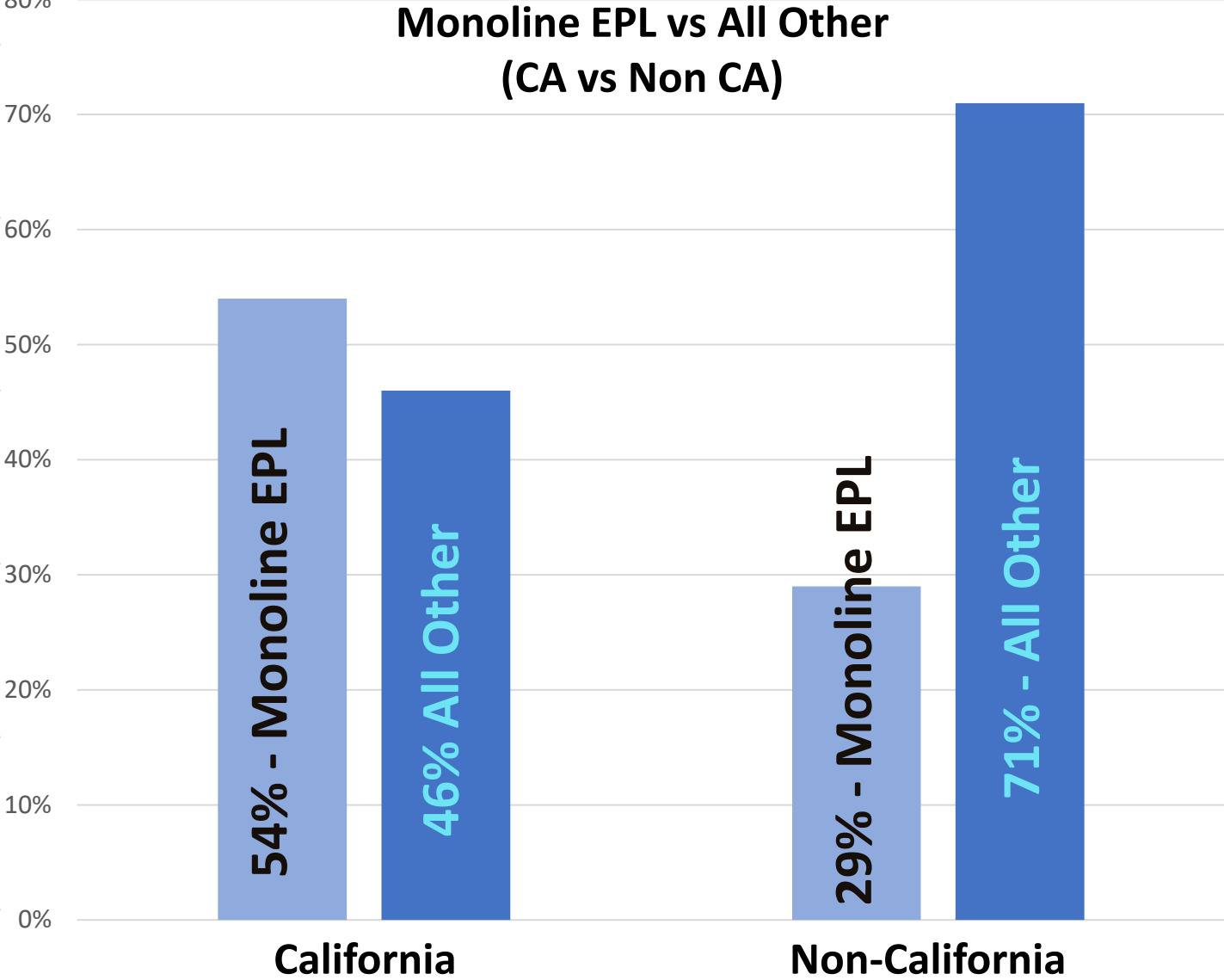
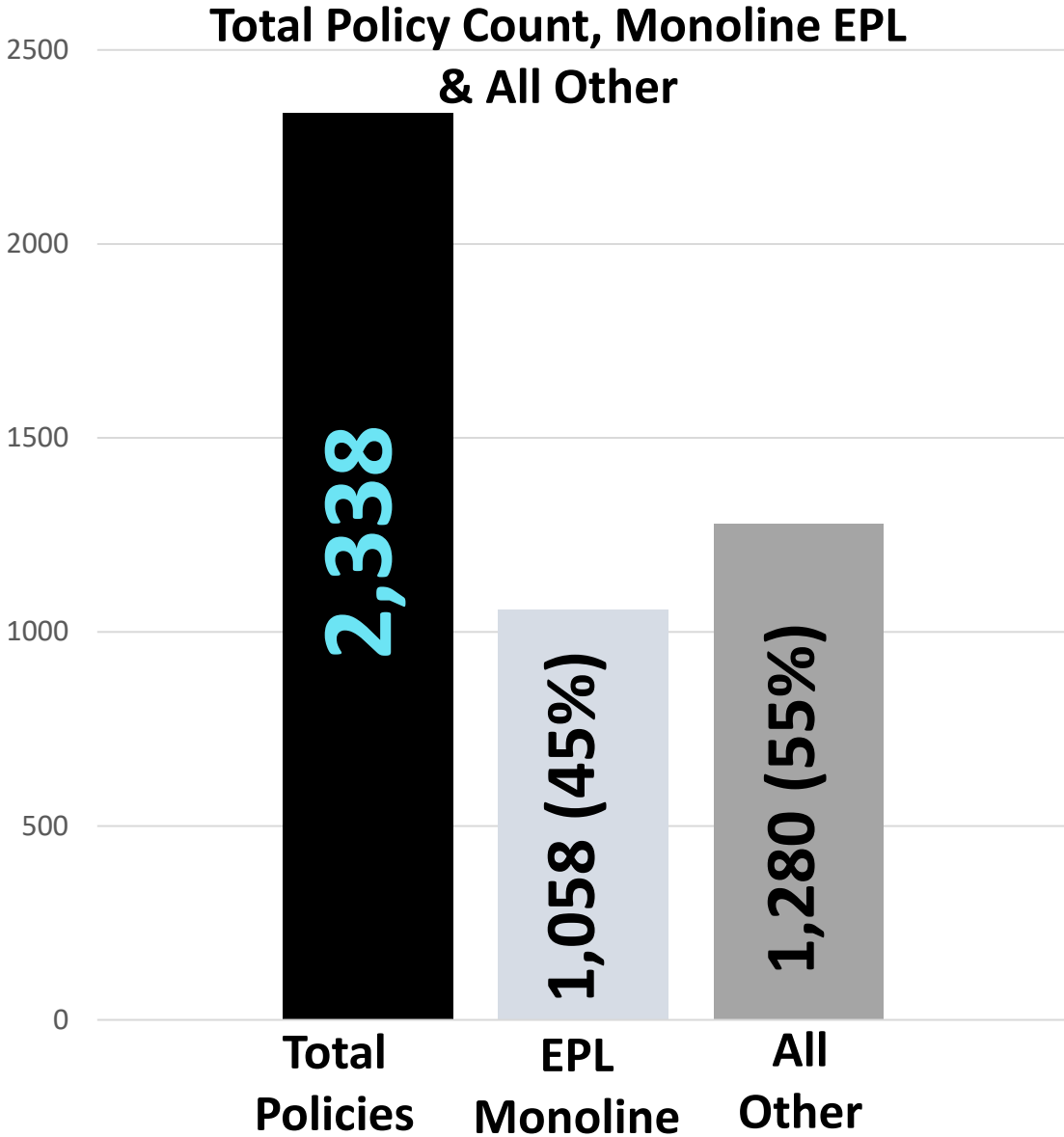


Wholesale Trade **6.5%**
Clothing
Groceries
Jewelry, Watches, Precious Stones
Service Establishment Equipment
Construction Materials

Management Liability Book Makeup YE 2025

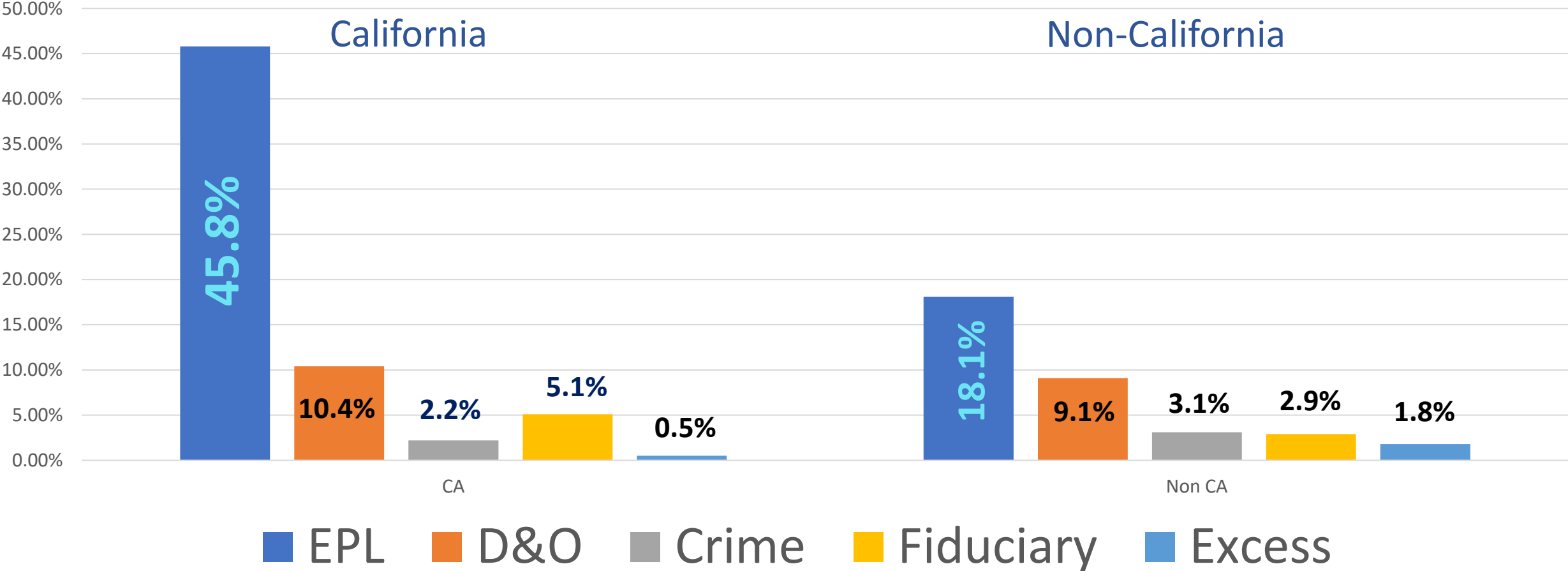


Management Liability Book Makeup YE 2025



Management Liability Book Makeup YE 2025

Policy Count by Coverage CA Vs Non CA



Let's Hear From You

- What are you seeing?
- What are your challenges?
- What's working with IAT?
- Where do we have opportunity for improvement?

Management Liability Pop Quiz

1. How many total partners are we appointed with for ML?
 - 8
2. What is one class of business that was previously designated as a “Do Not Write” but now we can consider?
 - Non-profit healthcare
3. In what state(s) are we looking to grow?
 - All other than CA
4. What LoB(s) are we looking to grow in CA?
 - D&O, FID, Crime
5. What paper do we write on for primary coverage?
 - Harco National Insurance Company
6. What is our most frequent claim allegation?
 - Disability discrimination
7. What 2 industries make up the largest portion of our book of business?
 - Services & Retail Trade
8. What was the average claim payment in 2024 for IAT?
 - \$58K

Thank you!

Management Liability - Day 2

David Moone, Joe Buffalano, Angela Rimgaila, Joe Higgins

Claim Examples - Disclaimer

The following claim examples are provided for illustrative purposes only and are not intended to imply coverage. All claims are evaluated based on the specific facts and circumstances presented and the terms, conditions, and exclusions of the applicable policy.

Claim Example - EPL

- Insured is a **California** high-end luxury car dealership. Plaintiff, a highly compensated sales manager, alleged sexual harassment, failure to prevent harassment, and retaliation after reporting abusive conduct by his manager. HR testified no investigation was conducted, and the plaintiff was terminated nine days after his complaint. Given the strength of the allegations and testimony, plaintiff's counsel made a policy-limit demand.
- **Claimant's annual salary: \$330,000**
- The matter ultimately resolved for **\$375,000**, with **approximately \$100,000 in defense costs**.

Claim Example - EPL

- Insured is a **California** dinner theatre company that promoted a technician to manager due to staffing shortages. After promotion, multiple employees complained about his management. The plaintiff raised wage-and-hour concerns regarding missed rest breaks and inaccurate reporting, which the company failed to investigate. He later received corrective actions, was suspended, and ultimately terminated for unapproved overtime. Although the insured had documented reasons supporting termination, the failure to investigate valid wage-and-hour complaints created significant retaliation exposure.
- **Claimant's annual salary: \$120,000**
- The matter proceeded to mediation and resolved for **\$30,000**.

Claim Example - EPL

- Insured is a **California** based fast-food company that promoted a male employee to manager despite a recent domestic violence conviction. The manager engaged in inappropriate communications with a 17-year-old team member and ultimately sexually assaulted her after work. The employee reported the incident, resigned, and filed suit alleging sexual harassment, sexual assault, negligent hiring, and negligent supervision. Because the claimant was a minor, consent was not legally possible, and the alleged harasser was a manager, creating strict employer liability with no viable defense.
- **Claimant's salary:** \$16/hour (minimum wage)
- The matter resolved for **policy limits of \$1 million.**

Claim Example – D&O

- Insured is a board-certified anesthesiologist operating multiple entities providing anesthesia services to hospitals. Plaintiff, a CRNA, alleged he was offered a partnership for services at a specific hospital and claimed entitlement to 50% of profits, asserting breach of contract, breach of fiduciary duty, civil theft, and unjust enrichment. The insured maintained—and documentation supported—that plaintiff was an independent contractor, not a partner. Defense counsel agreed the records clearly reflected independent-contractor status. The carrier is providing a defense only, with no indemnity based on the absence of a partnership relationship.
- Plaintiff issued a **\$5 million demand**, which was rejected, and the matter is **proceeding to trial**.

Claim Example – D&O

- Insured is a fashion retail company sued by a clothing manufacturer alleging trademark infringement, unfair competition, interference with contractual and prospective economic relations, and unjust enrichment. The manufacturer claimed the parties had a long-term supplier relationship that was terminated, after which the retailer allegedly sold counterfeit jeans bearing the manufacturer's registered trademarks. Although trademark infringement is not covered, the policy's **duty-to-defend** was triggered by the interference allegations, and the carrier is defending the matter.
- Alleged infringement damages approach **\$2 million**, limiting settlement prospects. The carrier is defending only, with anticipated defense costs exceeding **\$1 million**

Claim Example – D&O

- Insured company initiated an arbitration against its former CEO and CTO alleging breach of contract, breach of fiduciary duty, trade secret violations, fraud, and related claims. The company asserted the CEO misappropriated confidential information and customer lists to compete against the insured, while also misrepresenting key financial metrics to the Board, masking the company's deteriorating financial condition. Coverage was denied under the D&O policy based on the **Insured vs. Insured exclusion**, as the former CEO qualified as an insured person under the policy, precluding both defense and indemnity coverage.

Excluded Classes

Excluded Classes of Business

Adult Entertainment Organizations

Armored Car Companies / Cash Pick Up / Cash Storage Services

Adoption / Foster Care

Crypto Currency

Financial Institutions

Insurance Agents and Brokers

Municipalities

Professional Employer Organization (PEO)

Public Companies and/or Private Companies with public debt

Tobacco, Marijuana or Opioids

501c (6) - political or governmental organizations



Thank you!