

Notes from the 2011 Insurance Review conference call, December 8, 2011, 8pm Eastern.

Panelists:

Marla Peters (MP), Sr. Vice President of Special Programs, American Specialty Insurance

Andy Clarke, President, League of American Bicyclists

Over the course of the call, Ms. Peters reviewed the various insurance options available to organizations, and responded to specific member questions about specifics of the policies.

Ms. Peters and Mr. Clarke also laid out scenarios for the 2012 General Liability/Participant Accident policy. This issue is now being put before a larger group of clubs in the form of an online poll. Specific clarifications and discussion points follow.

American Specialty 2012 rate change options:

Due to increase in claims, the per member/rider (in the case of special events) cost would need to increase by 19%, or \$0.30 per rider, if the same level of benefits are to be maintained. The 2011 rate is \$1.55 per member/rider; the 2012 rate would be \$1.85.

As this is a very large one year increase as compared to prior years, the following alternative was proposed.

- A \$0.05 (3%) increase in the rider rate in conjunction with a change in the way the \$500 Participant Accident deductible is applied and decrease in the accidental death benefit. No reduction in General Liability benefits.
- Participant Accident deductible change: Under the current structure, the \$500 policy deductible is met if the accident victim's personal medical insurance pays at least \$500. If other insurance pays at least \$500, then any bills not covered by the personal medical insurance are eligible under the League participant accident policy WITHOUT the application of the League policy's \$500 deductible. This means that an accident victim may frequently have no out-of-pocket costs. Removal of the integrated feature would mean that an accident victim would always need to pay \$500 in costs before the League's participant accident insurance would kick in.
 - Example:
 - Rider has accident and incurred \$2,000 medical costs. They have medical insurance that pays 90% after a \$100 deductible. As such, their medical insurance paid all but \$290 (100 deductible plus 10% of remaining \$1,900) Since the rider's primary health insurance company paid \$1,710, it satisfied the League policy's \$500 deductible. The rider can file a claim for the \$290 through American Specialty.
 - Using the same example above, under the alternative approach (to keep rates lower), the rider would need to pay \$500 before the League's policy would pay any medical benefits. In the example above, the rider's remaining bills are less than the League policy's \$500 deductible, so there would not be reimbursement under the League policy. If, however, the

remaining bills in a particular claim exceeded \$500, the bills in excess of \$500 would be eligible for reimbursement (it is notable that in our actual claims experience, remaining bills usually exceed \$500).

- Accident victims without personal medical insurance pay the League policy's \$500 before the policy benefits begin under either scenario .
- When asked about actual claims experience, American Specialty indicated that more than 90% of LAB claimants have other insurance and that of those that have other insurance, the League policy deductible is fully met by other insurance in 75% of the cases (meaning those individuals have paid \$0 out-of-pocket in the past and would have to pay the \$500 deductible if the change is made). On average, in recent years, there have been 67 claims paid under the League participant accident policy (to provide a perspective on how many individuals would be affected by a change in the application of the deductible).
- Death Benefit change - To offer only a \$0.05 increase in the per rider rate will also require reducing the death benefit from \$10,000 to \$5,000. The death benefit was increased from \$5,000 to \$10,000 for the first time in 2011.

Club input was divided, with some clubs noting that the overall dollar impact of the change is not significant, and that the full benefit is a great value to their members that should be maintained. Others thought that it was important to maintain the rates as close as possible to the current rates, and that the insurance would continue to function as a deterrent to litigation, as well as helping to pay in cases of severe injury, when the need is greatest.

Club Q and A regarding the insurance

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Q. For the purposes of insurance, how is a supervised and conducted ride defined? Is the activity covered if a few people connect via the website and ride together? If not, at what point does it become officially a ride? How does the club keep track of waivers and who is a member – if a non-member rides several times, how do they know and how does it affect coverage?

MP – Allowing coverage for first time riders was an accommodation to clubs on two fronts. First, letting riders try a ride before they join, with coverage, and secondly so that clubs weren't being asked to pay premiums for people who only show up once. She suggests that coverage on subsequent rides can be sold as a benefit to get people to join the club.

As part of the claims process (for both general liability and participant accident), a club official will need to confirm that an injury or incident occurred during an official club

ride . The specific policy wording calls for the ride to be supervised and conducted by the club. Please always turn in an incident report as soon as possible.

Waivers are an important line of defense that helps make the whole program work – lawsuits can be thrown out just based on existence of a waiver in many states. A valid waiver can save the club from time spent in litigation. Waiver also reminds rider that they assume some risk.

The insurance policy does not contain specific requirements for ride leader qualifications, the clubs can decide on their own.

Q. While waivers are reliably gathered from big, general public rides, on smaller weekly rides, they are not always collected. Can one waiver cover a rider for a year?

MP – One signed waiver a year is good for members, should be reviewed by a local lawyer to be sure that it is applicable in your area. Getting a signed waiver every time provides more protection, but many clubs find this impractical. Sports leagues generally require only one waiver per season, and this extends to bike clubs. For special events, however, non-members should sign a waiver at each event.

Q. In joining, our members must click and agree to waiver online. How is an electronic waiver viewed?

MP – American Specialty is not aware of a precedent supporting or undermining the use of electronic waivers, but having it tied to a financial transaction (joining, renewing) is a best practice, so that the identity of the signer is linked to their agreement to pay.

Q. When is someone no longer on a supervised ride? When has someone left the ride, and no longer covered by the insurance?

MP – Club official will be asked whether they were still part of the ride. Riders are not covered if they are biking to the start point, or after the finish point. Riders who have unintentionally strayed from the ride route but are trying to continue will be covered, while riders who have intentionally left the ride or taken an alternate route will not be considered as being part of the ride.

Q. Does an organization need coverage if an LCI is teaching a course for them?

MP – The LCI is covered for liability, and the club has liability coverage, but there is no participant accident insurance coverage for lci courses. It can be purchased as a special event or using the Optional Participant Accident option referenced in the program brochure.

Q. The pricing for the Directors and Officers Insurance doesn't seem fair compared to larger clubs with greater exposure

MP – The coverage for small organizations is still cheaper than seeking it on your own in most cases and to American Specialty's knowledge.

Andy Clarke – for smaller clubs who have smaller budgets and no employees, the D&O and Employment Practices insurance may not be deemed to be as critical as it is for the larger clubs as evidenced by the fact that of 604 clubs in the insurance program, only 113 of them purchase the optional D&O coverage.

Q. Our club had to make a decision on the day that the hurricane was coming whether to cancel or continue with a ride. If the ride had continued, and there had been an injury would that have been a liability issue if they had ridden, or a Directors and Officers issue?

MP – if there is an injury involved, it's general liability, not Directors and Officers.

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