



CORNERSTONE

HOUSING PROGRAM

March 2016

To: Beta Theta Pi House Corporation Officers

From: Cornerstone Housing Program

RE: Cornerstone Property Insurance Program Policy Renewal (April 1, 2016 – March 31, 2017)

If this billing reaches you in error, please contact Anne Emmerth (anne.emmerth@beta.org) or John Reineke (john.reineke@beta.org) (800-800-BETA).

If you are forwarding the invoice to another party to pay the renewal billing, please forward ALL INFORMATION enclosed to the person paying the invoice.

The Beta Theta Pi Cornerstone Insurance pool was founded in April 2011 as a way to leverage the collective purchasing power of the Beta-owned properties throughout North America. To date, 62 properties worth over \$157 Million in total insured value make up the Cornerstone portfolio. Through a strategic partnership with Holmes Murphy (formerly known as Willis North American), we have placed the most competitive coverage available for our participating properties this year.

Cornerstone and Holmes Murphy are working hard to improve the loss experience for all of our properties. The commitment of all participating locations in reducing avoidable losses is needed on a daily basis. We are very happy to be able to continue the underwriting relationship with RSUI Indemnity (rated A+(XIII) by AM Best & Co.). Also, we are pleased to announce a number of new discounts. The RSUI relationship was established in 2002 and they will begin their 15th underwriting year in 2016.

Together, Beta Theta Pi, Holmes Murphy and RSUI continue to provide you with:

- A. An insurance contract providing a breadth of coverage that is second to none in the fraternity world.
- B. Exceptional customer service.
- C. Ongoing education through in-person and virtual workshops and webinars.
- D. A fair premium charge.

As a result of improved loss experience, we are pleased to announce that Cornerstone was able to negotiate favorable renewal rates:

- Locations that are 100% equipped with sprinklers will not see any rate increases.
- Properties without fire suppression systems will see a 2% increase in rates. Installing a sprinkler system is the most important improvement you can make to protect both the lives of our members and the property itself.



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While loss experience has improved, avoidable losses such as frozen pipes, water damage resulting from deferred maintenance or daily oversight and human error fires continue to occur. A material improvement in easily avoidable claims will help us continue to provide rate reductions in the future.

***** IMPORTANT CHANGES AND CONTINUED OPTIONAL COVERAGES AS OF APRIL 1, 2016 *****

1. **Equipment Breakdown:** The Charter Oak Fire Insurance will be the renewal insurance carrier for the Equipment Breakdown coverage under the Fraternal Property Management Association Program for the 2016 - 17 policy term once again. Rates will remain unchanged. The Charter Oak Fire Insurance Company is affiliated with Travelers Companies and has an A.M. Best rating of A++ (XV). This line of coverage and premium is included in your renewal invoice **unless** you previously declined the coverage. Please review your invoice and Evidence of Property Insurance to determine if you have this important coverage. If you currently are not carrying Equipment Breakdown, we strongly recommend you contact Trude Smouse, Client Manager (tsmouse@holmesmurphy.com; 402-898-4163; 800-736-4327 toll-free) to add this essential coverage.
2. **Business Personal Property (BPP):** RSUI Indemnity Company has agreed to provide Guaranteed Replacement Cost (GRC) protection for Business Personal Property (BPP) as they have done for years with Real Property / Building Coverage. For a facility to receive GRC protection for BPP they need to carry a **BPP limit equal to \$ 12.00 per square foot** of the facility. For example, a 10,000 square foot facility can secure GRC protection for the BPP by declaring a limit of \$120,000. This provides the Insured an easy way to meet their fiduciary responsibility for insuring to value. In a number of large property losses, we found that many owners are significantly underinsured and do not have the limit necessary to replace all the damaged contents in the facility. If you do not insure to a limit equal to or greater than \$12.00 per square foot, Agreed Amount coverage will apply. Should you wish to change your insurance protection as outlined above, please contact Trude Smouse, Client Manager (tsmouse@holmesmurphy.com; 402-898-4163; 800-736-4327 toll-free).
3. **Business Income/Extra Expense (BI/EE):** RSUI Indemnity Company has agreed to provide Actual Loss Sustained (ALS) protection for the Loss of Rents/Extra Expense exposure without a cap on the limit of coverage available. For a facility to receive ALS protection they need to carry a **Loss of Rents/Extra Expense limit equal to \$ 17 per square foot**. For example, a 10,000 square foot facility can secure ALS protection for the BI/EE by declaring a limit of \$170,000. This provides an Insured an easy way to meet his or her fiduciary responsibility for insuring to value. In a number of large property losses, we found that many owners are significantly underinsured and do not have the limit necessary to maintain the required cash flow to meet ongoing expenses while repairs are being completed. If you do not insure to a limit equal to or greater than \$17.00 per square foot, Agreed Amount coverage will apply. Should you wish to change your insurance protection as outlined above, please contact Trude Smouse, Client Manager (tsmouse@holmesmurphy.com; 402-898-4163; 800-736-4327 toll-free).



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*** IMPORTANT ISSUES AFFECTING INSURANCE COVERAGE AND PREMIUM COST ***

- **Building:** To participate in the program, your building must be insured to a minimum of the most current Boeckh Valuation System (BVS) replacement cost value on file with Holmes Murphy at renewal. The minimum valuation requirement of RSUI eliminates the usual and customary coinsurance or penalty clause and provides Guaranteed Replacement Cost (GRC). With GRC, the carrier agrees to pay the actual cost of like, kind and quality repairs regardless of the stated building limit. If your building was previously valued below 100% of the most current Boeckh Valuation System (BVS) replacement cost value on file, we have adjusted your building value accordingly.
- Please **review your Evidence of Property Insurance (EPI) Certificate**. Confirm all buildings you own and wish to insure are declared and have a value shown. Only buildings listed are currently insured. If you have any additional buildings / structures on your property that are not listed and you wish for them to be insured, please contact Trude Smouse, Client Manager (tsmouse@holmesmurphy.com; 402-898-4163; 800-736-4327 toll-free).
- **Is your facility vacant?** If your facility is vacant or becomes vacant during the policy year, and you have not previously notified our office, please contact Trude Smouse, Client Manager (tsmouse@holmesmurphy.com; 402-898-4163; 800-736-4327 toll-free). Please note a facility that is only idle over the summer or holiday breaks WILL NOT be considered vacant. **You only have 60 days to report a vacancy. Do not jeopardize your coverage by failing to report the vacancy.**
- **The inspection program continues.** Each participating location with an insured physical building is required to be inspected once every two years. The cost will remain constant from last year's renewal. The cost is \$530. To assist budgeting for this expense, we charge one-half (\$265) of the inspection fee at each renewal. The fee is non-refundable.
- **Significant discounts Available.** In an effort to reward House Corporations that differentiate themselves from their peers by taking additional steps to reduce their exposure to risk, RSUI offers a number of premium discount opportunities including a number of new discounts:
 - Installing a **fire Suppression system** meeting NFPA 13R installation standards provides that greatest opportunity for premium savings in the FPMA program. Rates for a property protected by a fire suppression system can be as much as **40%** less than a similar property not protected by a fire sprinkler system. Contact us to learn more!
 - **Safe, Modern and Recent Technology (SMART) Facility (20%).** 2010 or newer construction or have undergone a complete electrical, plumbing, mechanical and roof structure updates since 2010.
 - **Modern and Safe Facility (10%).** Qualifying location's need to be 1990 or newer construction or have undergone a complete electrical, plumbing, mechanical and roof structure updates since 2000. In addition, to qualify for either discount, you will need to have in place two or more of the following:
 - Central station fire alarm.
 - Monitored Security System with controlled access.
 - No smoking and candle burning policy.



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- Resident director or house mother living on site. **The Modern and Safe Facility discount is not available to those who are eligible for the SMART discount.**
- **Professional Property Management Company (10%).** Outsourced or Employed Staff that complete the following:
 - Manage, organize and pay general operating expenses relating to the facility management;
 - Provide and secure housing contracts and security deposits, from the undergraduate tenants;
 - Authority to authorize and pay expenses incurred to rectify immediate maintenance needs;
 - Secure and monitor the facility during extended school breaks;
 - Rent collection;
 - Complete an initial walk through and check out process with each tenant. Any tenant related damage then will be deducted from the security deposit held
- **Multiple Building Discount (5%).** Provides clients with multiple facilities with common ownership insured in the FPMA program with an additional savings.
- **Pennington & Company Strategic Assessment, Feasibility Study or Capital Campaign (5% for two years).** Pennington & Company, a leader in fraternity and sorority fundraising, has developed a Strategic Assessment to evaluate housing corporations and their operations in order to prioritize risks, needs, and opportunities and deliver a blueprint for overall organizational success. The process includes:
 - Extensive organizational research;
 - A written survey of the housing; corporation board members;
 - Discussions with local volunteers and campus officials; and
 - Review of the most current insurance; and Inspections on file. The resulting report outlines a comprehensive plan to address current and future housing issues, enhance your organization's alumni communications and fundraising environment, and strengthen the overall operations of the housing corporation. Whether you engage Pennington & Company through the stand-alone Assessment, or it is included as part of the pre-campaign feasibility study, the housing corporation will be provided this discount for the first two policy terms. The discount cannot exceed the actual cost of the Strategic Assessment.
- **PipeBurst Pro (20% Years 1 and 2 after installation with 5% thereafter).** Water Damage is the most frequently reported cause of loss and the second most costly peril in terms of claim dollars paid in the FPMA property insurance program. PipeBurst Pro offers an effective solution to reducing the impact plumbing related water damage claims have on future premium costs. The PipeBurst Pro system with ionleaks.com detection system provides:
 - Water monitoring
 - Tracks water usage
 - Monitors temperatures in the facility
 - The system is an effective way for the facility to be more closely monitored by remote volunteers. Small plumbing problems can turn into big claims when left unchecked for



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an extended period of time. This is especially true in student housing over extended breaks. Depending upon the size of the supply line into the house, the cost of installing the system is \$4,000 to \$5,000. The premium savings offered through the discount can pay for the system in 3 to 6 years. For more information, contact Bob Hearn, VP Sales US, Total Leak Concepts at 678-300-2664 or by email at bhearn@totalleak.com.

- **Increased All Other Peril Deductible (10% - \$10,000 20% - \$25,000).** The standard All Other Peril deductible under the FPMA program is \$2,500. We offer generous premium savings for those organizations wishing to assume additional risk.
- **Premium surcharges may apply.**
 - **Claim Surcharge:** To hold premiums to a minimum for locations with no claims, a surcharge has been included for those locations with a claim, or multiple claims, with total payments in excess of \$100,000.
 - **Named Storm Deductible Buy Down:** Tier one wind counties, defined as counties bordering the coast from the states of Virginia to Texas and the entire state of Florida are subject to a Named Storm deductible equal to 2% of the declared value for each line of coverage a claim is filed against. If you wish, you may buy down the Named Storm deductible to \$10,000 by paying the Named Storm premium surcharge.
 - **California Earthquake:** All California locations are subject to a surcharge for Earthquake coverage. **If the surcharge is not paid, there is no coverage for the peril of earth movement. If you have declined in the past, there is no surcharge and you do not have coverage. Please review your invoice as the surcharge is clearly noted as a separate line item if currently purchased.**
- **Review your stated limits by line of coverage!** Please review all limits of insurance shown on your enclosed evidence of property insurance for accuracy. It is important to review all limits of coverage.

******* OTHER THINGS YOU NEED TO KNOW *******

- **PREMIUM PAYMENTS ARE DUE BY APRIL 30.** Your coverage is at risk if your payment is not received on time. If you have any difficulty in making your premium payment, contact Anne Emmerth, Director of the Cornerstone Housing Program (anne.emmerth@betathetapi.org; 800-800-BETA). We will do our best to help you keep your coverage in force.
- **MORTGAGEE OR LOSS PAYEE EVIDENCE OF PROPERTY INSURANCE CERTIFICATES.** An Evidence of Property Insurance Certificate for any mortgagees and loss payees will be mailed to the appropriate party after your premium payment is received.
- **HOW TO REPORT A CLAIM.** Any incident which may damage your property should be reported immediately by telephone to Mary Mashek, Senior Claims Account Manager, 1-800-736-4327, Ext. 5500. Claim personnel will give you instructions as to how to proceed. ***If you are reporting a claim after hours, please call 402-898-4189.*** A possible claim can also be reported online at www.HolmesMurphyFraternity.com; however, if your claim is of an urgent nature, we recommend you call us. The policy requires reasonable efforts be made by an Insured to protect the property from



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further damage and mitigate the extent of the damage. Please take immediate appropriate action to fulfill this obligation under the policy. One company which provides emergency mitigation services is Service Master 1-888-927-4877.

- **RISK AND PROPERTY MANAGEMENT RESOURCES.** Holmes Murphy strives to provide risk management resources to complement the loss prevention and control efforts of our clients. We have an Education Consultant on staff to assist you in this area. Please visit our website at www.HolmesMurphyFraternity.com to review our downloadable risk prevention resources. Should you like assistance with your educational efforts in loss prevention and control, please contact Bobbi Larsen at 800-736-4327, Ext. 4178 or by email at blarsen@holmesmurphy.com.
- The FPMA property program is a master policy that utilizes the combination of six or more insurance policies to provide the participating members with the needed limits and breadth of coverage. To complete the allocation of program costs and invoicing, blended rates are developed to pay the premium obligation of all FPMA property program insurance companies and billed as a property premium line item with the exception of any premium surcharges or credits outlined on the invoice. This procedure results in differences between monies collected in the aggregate across all program participants and owed to the insurance carriers to pay the different policy premium obligations. Any difference is treated as revenue to Holmes Murphy and accounted for under generally accepted accounting practices.
- Neither your property insurance nor your liability insurance provides Workers' Compensation Coverage for chapter or house corporation employees. It is the duty of each house corporation to make certain they are familiar with their State laws and requirements to carry Workers' Compensation Coverage for employees of the chapter. It is important to note that in addition to payrolls paid to a chapter cook and housemother, subsidized housing or meals provided to chapter members in exchange for service in a position (i.e. house manager, kitchen steward, chapter officer) is also considered payroll and if injured, the individual likely has the right to recover damages under the Workers' Compensation laws of your State. If you would like more information concerning your State's Workers Compensation requirements or a quote, please contact Trude Smouse, Client Manager (tsmouse@holmesmurphy.com; 402-898-4163; 800-736-4327 toll-free).



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******* AGENCY DISCLOSURE STATEMENT *******

As a Holmes Murphy agency Customer, you have the right to know:

- That Holmes Murphy, like other insurance agents, represents insurance companies and is paid by insurance companies for selling insurance to clients like you.
- The amount of compensation received by Holmes Murphy in connection with your insurance placement. We are also required to obtain your consent to our commission compensation prior to binding the coverage. In that regard, please note that unless you instruct us otherwise, your direction to bind coverage and/or payment of the premium related to your insurance placement will be deemed consent to the compensation disclosed during the quotation process or as outlined in the binding documentation provided by the carrier.
- That Holmes Murphy earns a commission based on a percentage of the premium you pay to the insurance company. Like other insurance agents, may also be paid additional amounts by insurance companies based on other factors, such as the number of policies placed or renewed with an insurer, the amount of premiums paid, or the loss histories of clients placed or renewed with an insurer.
- Holmes Murphy commissions are built into the cost of your insurance.
- That Holmes Murphy, like other insurance agents, may receive compensation for placing your insurance from other intermediaries, such as wholesalers and premium finance companies, which may or may not be affiliated with Holmes Murphy. That compensation may be in the form of commissions, administrative fees, placement fees, interest, or other compensation.
- Should Holmes Murphy use a wholesaler to place your insurance coverage, Holmes Murphy will disclose (1) any interest or contractual agreements Holmes Murphy may have with the wholesaler (2) the compensation received by Holmes Murphy, and (3) any alternatives to using a wholesaler. In 2016 Holmes Murphy has utilized Swett & Crawford as an independent wholesaler to place insurance coverage with RSUI and other carriers to insure the California earthquake exposures of the FPMA participants. These carriers require use of a wholesale intermediary by Holmes Murphy to obtain a quotation. Holmes Murphy has no ownership interest in Swett & Crawford.
- Holmes Murphy Associates are prohibited from accepting any gifts, entertainment or trips from insurers that could create the appearance of a conflict of interest.
- Holmes Murphy will disclose all quotes and indications sought and all quotes and indications received, including declinations of each insurer competing for your business. For the 2016 renewal Holmes Murphy approached other insurance carriers to discuss their interest in underwriting the FPMA insurance program but due to the competitive option provided by the incumbent carrier RSUI we obtained no other formal quotations.
- That Holmes Murphy may receive additional compensation from the underwriter of the Fraternal Property Management Association based on the overall profitability of that business to the underwriter.

For questions about your property insurance premiums, *Cornerstone* resources, program details, or best practices, please contact Anne Emmerth (anne.emmerth@beta.org; 800-800-BETA). As always, THANK YOU for your dedication and service to Beta Theta Pi. It's an honor to serve you.



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Yours in __kai__,

Thomas D. Cassady, *Cincinnati '76*
Insurance Commissioner

Jeff Rundle, *Kansas State '03*
Administrative Secretary

Anne Emmerth
Director of Cornerstone Housing Program