

# the current

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## Happy 20th Anniversary, Riverport!

Even though 2009 marks the 20th anniversary of Riverport Insurance Company's operations, many Riverport producers and insureds still ask how Riverport got started.

From the late 1970's until 1989 – when Riverport was originally organized as Nonprofits' Insurance Association, An Interinsurance Exchange ("NIA") – the executive officers of Riverport's affiliate, Berkley Risk Administrators, had been providing administrative services to a risk pool that offered property and liability coverages for nonprofits. During that period, those executives were struck by how few admitted insurance companies specialized in insuring nonprofit organizations.

Recognizing that nonprofits were being inconsistently served by the insurance marketplace, those executives decided to establish an admitted insurer dedicated to insuring nonprofits. Berkley Risk Administrator's parent, W. R. Berkley Corporation, agreed and provided the initial capital to establish NIA. In December 1989, NIA was organized and licensed in Minnesota as a reciprocal insurer. Berkley Risk Administrators provided administrative services to NIA.

In addition to the usual start-up challenges, back in 1989 there were other significant problems for an insurer committed to insuring nonprofits. One big problem was that there were no established insurance rates or loss experience data for nonprofits. In fact, the Insurance Services Office ("ISO"), the industry leader in establishing rate and loss statistics, did not even recognize nonprofits as a separate group. Instead, ISO aggregated nonprofits' data into for-profit categories.

To overcome this lack of data, NIA had to rely heavily on the judgment and experience of the executives of Berkley Risk Administrators to establish NIA's initial rates and unique coverages.

"Our experience indicated that nonprofits had better loss experience than typical for-profit businesses," Lou Golinvaux, NIA's first Chairman, now retired, recalled.



Lou Golinvaux, right, initial chairman of Riverport (at the time known as Nonprofits' Insurance Association, an Interinsurance Exchange), received Riverport's original license from Mike Hatch, Left, Commissioner, Minnesota Department of Commerce.

"Of course, convincing an insurance department of this fact with the limited information we had available was a difficult task. Despite our limited data, we were still able to identify and explain the unique risk and rating distinctions applicable to nonprofits. Fortunately, the Minnesota Department of Commerce agreed with us and allowed NIA to go forward with its specialized rates and coverages."

### The Early Years

In 1990, its first full year of operation, NIA only wrote a total of \$387,660 in direct premium. There were several reasons for this, recalls Mark Tansey, NIA's first President. "For one thing," said Tansey, "NIA was only authorized to write business in Minnesota because all states insist on 'seasoning,' or being in business in a company's home state for three to five years or more. For another, the market was 'soft,' meaning that coverages were readily available at very low prices. So, from a nonprofit's viewpoint, why not go with a company that had been in business for decades, rather than a brand new company?"

But, NIA's specialized coverages and rates, combined with the financial strength of W. R. Berkley Corporation,

# A Primer on Coverage for Sexual Abuse and Molestation

Everyone recognizes that coverage for acts of sexual abuse and molestation is essential for most human services organizations, especially if the recipients of service are children or vulnerable adults. But the companies that insure human service organizations do not have a uniform approach to providing this coverage.

In its Human Services Program, Riverport covers acts of sexual abuse and molestation under its General Liability Coverage Part, while other companies provide coverage under a separate sexual abuse coverage part. As a result, human services organizations must evaluate important considerations in selecting insurance coverage for acts involving sexual abuse and molestation.

## Riverport's Approach – Sexual Abuse and Molestation Coverage and Limits as a part of the General Liability Coverage Part

Riverport has always recognized the importance of providing sexual abuse and molestation coverage to its Human Services Program insureds. So, every Human Services Program quote from Riverport offering general liability insurance automatically extends coverage for certain acts involving sexual abuse and molestation. If a human services organization decides that it does not want the coverage provided by the General Liability Coverage Part, it must affirmatively decline the extended coverage.

Because the sexual abuse and molestation coverage in Riverport's Human Services Program is automatically extended, the amount of insurance for covered acts involving sexual abuse and molestation is a part of the occurrence and aggregate limits of the General Liability

Coverage Part. Consequently, the insured should select limits that are appropriate for its loss exposures, both for "ordinary" bodily injury and for injuries involving sexual abuse and molestation. Typical limits are \$1 million per occurrence and \$3 million in the aggregate.

If potential losses from covered acts of sexual abuse are greater than those amounts, a human services organization should consider higher limits. Riverport has the ability to write higher aggregate limits. Riverport also has the ability to offer excess liability coverage providing increased per occurrence and aggregate limits for covered acts involving sexual abuse and molestation. In special situations, it can provide up to \$10 million per occurrence and in the aggregate.

## Other Companies' Approach – Sexual Abuse and Molestation Coverage and Limits through a Separate Sexual Abuse and Molestation Coverage Part

Unlike Riverport, many companies offering insurance to human services organizations do not quote general liability coverage with automatic extended coverage for acts involving sexual abuse and molestation. Instead, they offer a separate coverage part for sexual abuse with its own separate per occurrence and aggregate limits.

In these situations, the sexual abuse and molestation limits are often less than the general liability limits. Consequently, if a human services organization is obtaining such separate coverage, it must be very careful to evaluate and obtain appropriate limits for acts of sexual abuse and molestation.

A prospective insured should also be aware that the separate coverage part often

contains a provision stating that if a claim contains elements of both sexual abuse and anything that is covered under another coverage part, then the company will respond only under the coverage part that has the highest limit of insurance.

Also, many of these separate coverage parts spell out the particular type of acts that the company will cover; for example, negligent supervision resulting in an act of sexual abuse. If a victim doesn't frame his or her demand within the language of the separate coverage part, the insuring company may deny the claim.

## The Debate: Which is Better – Riverport's Approach or Other Companies' Approach?

There are obviously pros and cons to both coverage approaches.

The automatic extension of coverage provided in Riverport's Human Services Program reflects the fact that sexual abuse and molestation has the potential to occur in every human services organization. This approach requires an organization to decline the coverage after evaluating its loss exposures and concluding that it has no exposure to incidents involving sexual abuse and molestation, and to select limits for both bodily injury and injury resulting from sexual abuse and molestation.

The separate coverage approach requires a human services organization to determine the appropriate limits for its sexual abuse exposures, keeping in mind that if a claim involves both sexual abuse and other injuries that would be covered under another coverage part, often only the coverage part with the higher limit will respond to the claim. Because it is extremely rare for a company to offer sexual abuse limits greater than the general liability limits, this often requires a human services organization to increase its general liability limits.

*Ultimately, remember to read your coverage forms completely and carefully, as certain limitations, conditions and exclusions may apply. If you have any questions about appropriate coverage for acts involving sexual abuse and molestation, please contact your agent or broker or other professional advisors.*

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proved to be attractive to nonprofits over the next several years.

To increase its writings, NIA searched for ways to expand its coverages in other states – particularly in Illinois and California – where the executive officers of NIA had worked with highly professional producers. Utilizing the resources of W. R. Berkley Corporation, NIA found a way to extend its coverages into other states. It entered into an arrangement with Carolina Casualty Insurance Company, another W. R. Berkley Corporation member company, to provide NIA's specialized coverages in selected states, including Illinois and California.

"We were anxious to find a way to do business with those producers, but the seasoning requirements of both states meant that it would be years before NIA could do direct business in those states," stated Fred Mauck, the former NIA Vice President and Secretary, now retired. "Under this arrangement, Carolina Casualty retained a small portion of the premium and risk, while ceding the balance of both to NIA. As a result, NIA's premium writings began to increase significantly."

Starting in 1993, having satisfied many states' seasoning requirements, NIA began to seek licenses in other states. The first state to grant admission was Indiana, followed by Illinois and other Midwestern states.

However, even though California was an extremely good market for NIA's specialized

coverages, the California Department of Insurance advised that it was not inclined to license NIA because it was a reciprocal insurer. As a result, W. R. Berkley Corporation authorized the formation of a California stock company, Riverport Insurance Company of California. The California Department of Insurance licensed Riverport of California in 1999, and that company began insuring California nonprofit organizations in 2000.

### The Middle Years

Despite more than 10 years of successful operation as a reciprocal insurer, it became apparent to NIA's executives that this form of organization was presenting an obstacle to further license expansion and to its acceptance in the marketplace. To remedy these problems, NIA created a plan of reorganization to convert to a stock company. The plan was approved by the Minnesota Department of Commerce and then presented to NIA's insureds. The insureds overwhelmingly approved the reorganization plan, and NIA became Nonprofits Insurance Company on May 1, 2002.

The next step was to combine the reorganized Nonprofits Insurance Company with Riverport Insurance Company of California. The merger was accomplished in June, 2004 with Nonprofits Insurance Company assuming all of the assets and liabilities of Riverport of California. Contemporaneous with the merger, Nonprofits Insurance Company's name was

changed to Riverport Insurance Company.

Riverport later reintroduced its specialized coverages as its "Human Services Program," designed to insure both nonprofit and for-profit human services organizations.

### Riverport at Twenty Years

After 20 years, Riverport is now a mature company that is admitted in 49 states and the District of Columbia. Even though it still specializes in insuring nonprofit and for-profit human services organizations, it now also insures a wide variety of other industry organizations.

Throughout its 20 years of operation, Riverport has continually sought to add value and expand its market share by introducing new and innovative coverages, by pricing its business fairly, and by seeking a broad mix of risk types and geographic dispersion.

"Riverport strives to improve its operations and its product offerings, and to respond to new challenges facing all types of organizations, both nonprofit and for-profit," stated Doug Pfeifer, Executive Vice President of Riverport. "After all, providing quality property and liability coverages with service levels that meet or exceed our customers' expectations is part of Riverport's history."

Ken Hopkins, Riverport's current President, perhaps summed it up best, "The first 20 years were great for Riverport and for its insureds. We expect the next 20 will be even better for both."

### DID YOU KNOW...

#### Riverport Insurance Services, LLC now provides administrative services to Riverport Insurance Company

As of January 1, 2009, Riverport Insurance Services, LLC ("RIS") began providing certain administrative services to Riverport Insurance Company ("Riverport").

But, the same dedicated persons who previously provided underwriting, loss control and other services on behalf of Riverport will continue to provide those services. From the viewpoint of Riverport's producers and customers, there will be no perceptible change due to the addition of RIS.

RIS is not an insurer, but an insurance services company. It is a member company of W. R. Berkley Corporation that will provide various administrative services to Riverport under a subcontracting agreement with Berkley

Risk Administrators Company, LLC, which is also a member company of W. R. Berkley Corporation. Berkley Risk Administrators has provided various administrative services to Riverport for many years.

"Like the service operations of Berkley Risk Administrators, we expect the service operations of RIS to be a seamless component of doing business with Riverport Insurance Company," commented David Kylo, Senior Vice President and Secretary of RIS and Riverport.

So, don't be surprised if you see the name "Riverport Insurance Services, LLC" more in the future.

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# Riverport Convenes Producer Advisory Panel

The seventh annual meeting of Riverport's producer advisory panel was held last November 17 and 18. The purpose of these meetings is to present suggestions for new products and services that would improve Riverport's ability to serve the human services community. Past meetings of producers have generated significant suggestions to improve Riverport's Human Services Program coverages and services, such as:

- The Platinum Protector; a comprehensive coverage enhancement offered as part of the Human Services Program
- Expanded loss control services, including the future development of on-line training modules
- Publication of "Safe Harbors," a loss control and risk management communication

At last November's meeting, the panel suggested a new, broadening endorsement to Riverport's commercial auto policy as part of its Human Services Program. This endorsement would extend the benefits of the basic commercial auto policy to employees and volunteers of an insured

organization when using their own vehicles in support of the organization. The endorsement would also cover loss of use expenses when an insured organization's vehicle is inoperable due to an accident.

The panel also suggested a new endorsement to cover mechanical and equipment breakdown for Human Services Program insureds. Although this coverage is currently offered as a part of Riverport's Platinum Protector; the new endorsement would allow an insured to have such coverage even when it does not elect to add the Platinum Protector.

A third topic was "donation assurance" coverage that would reimburse a human services organization for a donor's default in making a pledged contribution if the default resulted from the bankruptcy or insolvency of the donor.

Commenting on the meeting, Doug Pfeifer, Executive Vice President of Riverport, said, "The suggestions of our producer advisory panel are extremely helpful to Riverport. Our goal is to provide excellent coverages in the marketplace, and our panel members

are well-informed as to the market needs. Our commitment to the panel members is to fully consider each one of their suggestions."

Riverport's producer advisory panel consists primarily of agents and brokers who specialize in providing coverages for human services organizations and who are intimately familiar with those organizations' operations.

**"Our goal is to provide excellent coverages in the marketplace, and our panel members are well-informed as to the market needs."**

*- Doug Pfeifer, Executive Vice President of Riverport*



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