

Q + A WEBINAR TRANSCRIPT

# City Insurance

Insuring for the Unpredictable



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Ritchie Vener:

I think we are ready to get going. Hello everyone, and thank you for joining us for our webinar, City Insurance: Ensuring the Unpredictable. My name is Ritchie Vener, and I'm the chief marketing officer here at Distinguished Programs. I'll be leading the discussion today, and I'm excited to do so. City Insurance is one of the fastest growing programs here at Distinguished, which means it's a great product for insureds and it's helping our broker partners grow their business. Just a note, we'll be sending all the registrants a copy of the slides, the webinar recording, and a PDF with the questions and answers from today's session. If anyone has a question during the presentation, please use the Q&A button at the bottom of your screen. A little bit about us, Distinguished Programs is a leading national insurance program manager providing specialized insurance programs for real estate, community associations, hotels, and restaurants. Serving the same core markets and partnering with the most stable and reputable carriers, Distinguished Programs' high-limit umbrella and primary insurance programs remain the clear choice in its areas of specialty for superior coverage, competitive pricing, and attentive service.

Ritchie Vener:

So let's get started. We've got a great panel today with deep knowledge of the program. Joining us is Lorraine Gallagher. Lorraine is the assistant vice president and product manager for the Distinguished City Insurance program. She's responsible for the day-to-day underwriting operations, as well as product development, exploring expansion in growth opportunities, and portfolio management. Since joining Distinguished in 2007, Lorraine has worked up the ladder from senior underwriter, assuming her current role in 2018. Prior to this, Lorraine was an underwriter at Brownstone Insurance Agency, where she managed and negotiated a profitable book of business with a heavy focus on homeowners' real estate accounts. Lorraine received her BBA in international business from Berkeley College. She's a certified insurance counselor, certified programs leader, and is a licensed property casualty insurance producer.

Ritchie Vener:

Also joining us today is Matt Walters. Matt is the AVP underwriting manager for Distinguished real estate division, which includes the City

Insurance program. He's responsible for oversight of the underwriting teams, broker engagement, and building profitable books of business. Matt joined Distinguished in 2019 bringing 18 years of experience in underwriting leadership roles. Prior to this, Matt led the underwriting teams at All Risks, Ltd and NSM Insurance Group. He started his career at United States Liability Insurance Group. Matt holds CPCU, ARM, AU, AIS, and AINS designations. He received his BS in business administration, marketing, and economics at the University of Delaware.

Ritchie Vener: Before we get to the attendee questions, let's quickly run through some of our City Insurance programs basics to ground the discussion. Matt, I'm going to start with you. Could you just tell us, what is City Insurance?

Matt Walters: Sure, Ritchie, and thank you for that nice introduction. It's nice to remember what I used to do and obviously introduces Lorraine. So one of our top programs we have, our City Insurance program addresses property owners with two to a hundred units, including mixed-use buildings, meaning commercial exposures in conjunction with habitation in designated cities. It's easy, online submit-quote-bind makes it efficient and simple to get our clients covered.

Ritchie Vener: Okay. How is this different from other insurance, Matt?

Matt Walters: Good point. We have really two items that really stick out to me on this slide, and I'll let you guys read on, but really is the personal lines piece and the landlord insurance. So we can extend commercial package policy with personal lines endorsements. Think a two to four multi-family risk where brokers are placing an apartment account with no household coverage, no personal liability coverage, or they might be binding two that are separate coverages. So we can actually do that in one, and the second piece of it is landlord insurance. We have no age restrictions, offer a specialized program where we understand the properties in a city metro area. Generally older, so we extend coverages that benefit both new and old properties. A lot of our competitors do not like older properties. We do, and also, I would say our Ordinance or law coverage is second to none.

Ritchie Vener: Okay, great. And Matt, I think you already answered what might be my next question here, maybe just a little bit more about what does it cover?

Matt Walters: Sure. It's all risk policy form. So that's really noteworthy to... and some of the high level, I'm not going to read through each one, but top tier ordinance of all coverage like I just mentioned before, backup and sewer drains included, terrorism is included, and rentals and condos are now eligible for our Express Real Estate Umbrella coverage.

Ritchie Vener: Okay, great. Lorraine, could you cover what some of the main features of the program are?

Lorraine Gallagher: Sure. Yeah, we have a package policy. So like Matt mentioned earlier, it's a package property and GL policy. It's something that you as brokers can really tailor to your insured's needs. We can entertain anywhere from owner occupied properties to your two to four units with additional coverages such as your household personal property, your personal liability exposure, additional living expenses, and coverage for your personal inland marine like fine arts, jewelry, etc. You've got rentals, condos, and co-ops and they have different exposures. So we definitely have a bunch of optional coverages we can add to these. So you've got your flood, you have earthquake, your non-owned hired auto, employee benefits liability coverage.

Lorraine Gallagher: We also offer crime and fidelity coverage to meet some of the client's needs that you guys want. It's really a policy that the broker can really tailor, pick coverages here and there, and really put a policy together. Matt mentioned it earlier, we also offer backups and drains up to the TIV limit, which a lot of competitors don't, and they usually have sub limits on that. We also have a building ordinance coverage, which is your coverage A, B, and C. So your coverage B is your demolition cost, and coverage C is your increase cost of construction. The limit we offer on that is 25% of your building limit with a minimum amount about 400,000.

Ritchie Vener: Okay. The program has so many features. In your mind, what are some of the highlights?

Lorraine Gallagher: Oh, wow. Okay. We've got quite a few. So our City Insurance program really addresses the needs of property owners with anywhere from two to a hundred units. It includes mixed-use properties in designated cities across the United States. We have an easy, online submit-to-quote via our online broker portal that brokers have access to. This program really is built to address the specific needs and unique exposure of city living. We offer flexible and affordable insurance program policies. We have no age restrictions. Matt mentioned that earlier. In fact, we actually specialize in older buildings as long as the systems have been updated within certain time period. There're some of the high-level program highlights for City Homes.

Ritchie Vener: Okay. Thank you. So Matt, tell me a little bit... what is the eligibility of the program?

Matt Walters: Sure. Just a little background, our programs really been... had a thoughtful innovation, growth, and opportunity for our brokers, carriers, employees as we've been doing this for decades now, and that's really been at the core of the thought process. So that is why we put together a great program for the following eligibility to be around for a long time. So the construction types that we have here, certain territories, our joisted masonry or better. We do have brick veneer in Denver and Minneapolis and St. Paul, frame construction on the West Coast, and TIV up to \$25 million. Now, that does vary by territory and construction type. So some things to just think about on that end, but the construction type, the size, the classes of business, apartments, condos, co-ops, brownstones, mixed-use. So you could have that habitation above and then you ground floor commercial exposure, that all fits.

Ritchie Vener: Okay. And Matt, we've steadily expanding the program. What is the current availability?

Matt Walters: As you see there, we break it up to West Coast, East Coast, and Midwest. Sometimes referred to as City Homes, Urban Homes, this program was really designed for multi-family, often owner-occupied, mixed-use properties. What makes them eligible? Their urban

location, their unique needs available in the designated cities as you see before you.

Ritchie Vener: Okay. Great. All right. Matt and Lorraine, thank you. That was a great background. Such a big program to just boil it down a little bit there. So let's dive into the questions from the attendees. Quite a lot were sent in ahead of time via email. So we're going to do those first, and then we'll go to today's attendee questions live that people submit while we're here talking. So the first one I'm going to direct to you, Matt. For the people listening on the webinar, we took a bunch of these questions and paraphrase and brought them together just to simplify it so we could answer them more easily, but we got this one a lot. How do you submit new business?

Matt Walters: Great question, and that should be on the forefront. So new business could be submitted through our broker portal, found on our website, distinguished.com. First time using the portal, brokers, they just need to register their agency, create a login prior to beginning to submit new business. Note if the broker has an account that's seven or more locations, the broker can submit via a paper application and that can be uploaded to our system.

Ritchie Vener: Okay. All right. Great. Thank you. We talked a little bit about this when we were covering the background, but we did get this question a lot because the brokers are interested in how to sell it. What are the key advantages of the program?

Matt Walters: I would say we're very competitively priced, packaged policy that includes coverages for equipment breakdown, backup and sewer and drains, our Ordinance or law A, B, and C, personal lines like I spoke about before, no age restrictions are the top ones that come to mind as well as the number of items there.

Ritchie Vener: Okay. All right. Thanks Matt. Lorraine, why Distinguished Programs?

Lorraine Gallagher: Hmm. Well, apart from working with me, of course, brokers should always delight to-

Ritchie Vener: I'm in.

Lorraine Gallagher: Work with us, but we really at Distinguished, we really strive ourselves as being experts in this space. Distinguished has more than 35 years' experience in the real estate insurance, and all our programs here are really backed by A-rated carriers. We have a great partner relationship with our City Insurance carrier Zurich. We can write anywhere from single location homes to multiple schedules of locations. Again, we have no age limit restrictions. We have a seamless online application, higher limits in our backup of sewers and drains that most of our, again, competitors don't have. For our smaller accounts, our two to 10 units, we only perform an exterior inspection, not an interior, which helps the... easy for your clients. They don't have to schedule appointments with our inspectors to go inside the building. We actually go and do an exterior inspection on the building.

Lorraine Gallagher: The owner-occupied properties. Instead of a client having two policies, they have a policy for the building and then a policy for their personal assets and personal liability. We actually offer a combined policy, which is really unique in this space. Also, something I want to touch base on, and I feel like it's lost a lot, is the Sedgwick Repair Services. We offer this huge value-added service, which is free of charge. It's not an additional charge for your clients. It's definitely free. It's not built in at this hidden fee behind the policy premium. It's something that we offer free of charge, and what it does essentially, Sedgwick Repair Services connects you with nationwide network of trusted and certified contractors whose insurance policies have already been vetted out by them. Whenever your insured needs to repair or remodel their home or building, these are risk that they undertake if they're going to hire uninsured or unlicensed contractors to do the work because then they're opening themselves up to lawsuits and third-party liability.

Lorraine Gallagher: So repair solutions really helps to mitigate some of that and protect your insured's assets. And lastly, not only because Sedgwick Repair Services is a pretty unique feature that we offer here at Distinguished and it's part of the policy. So in the event of a claim, so when an owner,

one of your insureds, suffers a loss and they need building repairs or restoration, the last thing they want to do is deal with untrustworthy contractors who perform shady, subpar work. So Sedgwick offers a warranty, it's called the Iron Clad Warranty. So it guarantees the contractor's labor and workmanship. The roof and siding and gutter replacements are guaranteed for five years. Repairs are guaranteed for one year, and in addition to that, general contracting work is guaranteed for three years. So if something happens to that contractor before the warranty expires, Sedgwick assumes the remainder of the warranty period. So it's a really unique feature that we have here at Distinguished on the City Homes program, but I feel everyone should really take advantage of it.

Ritchie Vener: All right. Thank you, Lorraine. Matt, I'm going to give you this one. We got this a lot. How long does it typically take from submit to bind?

Matt Walters: Well, we got all the information. That's key. So we got to get all the information we need for underwriting, but if we do it's really 24 to 48 hours from the working day that the account is submitted. Please know if there's an urgent request, you can definitely reach out to your sales executive to directly review, and we can prioritize that risk if it's a last-minute account as we all have seen it in the past. Also, for seven or more locations, that might take a little bit longer to underwrite. We actually provide the broker the ability to submit a paper application with all the risks, SOV, statement of values, to get that sent over and we can actually upload that for the brokers and get that in there.

Ritchie Vener: Okay. But for the typical account, you're saying, what was the timeframe again?

Matt Walters: 24 to 48 hours.

Ritchie Vener: Okay, great. I-

Matt Walters: With all the information.

Ritchie Vener: With all the information. Yeah. Lorraine, what things should brokers be aware of that could slow down the process?



Lorraine Gallagher: Well, you're not going to get the 24 and 48 hours if they have an incomplete submission. So we really strive to answer all the questions, have all the questions on the online portal. So for example, if the broker doesn't provide us with the prior carrier information, the underwriters, our underwriting team can't verify and confirm that there's no lapse in coverage. The insured's loss history is pretty important in how we rate these policies, and even if the building meets the life safety requirements, we need to know that. So I would say the biggest drawback is really having an incomplete submission. If you guys can't complete a submission online, you're not going to get that 24-to-48-hour turnaround time.

Ritchie Vener: Okay. And Lorraine, I'll ask you this next question too. What are some of the underwriting factors that brokers should be aware of?

Lorraine Gallagher: Sure. So in valuing a risk and determining the actual insurance rate for the policy, an underwriter would look at, I would say, a couple of factors. I would say they look at the building values. They look at the mercantile exposure if there is one. The tenant type of that mercantile. They'll look at the owner's experience in property management, maybe the property management controls that the insured has, the insurer's property maintenance practices, life safety protocols, definitely risk management practices, and last but not least I would say the claim history definitely is a factor that the underwriter would look into.

Ritchie Vener: Okay. All right. Thank you. Another question along those lines, what to expect during the property inspection?

Lorraine Gallagher: So I think first and foremost, I think the insureds really should be prepared. Before an inspector comes out, before we bound the account, they really should prepare their building. They should maintain the building. So for example, check and make sure the smoke detectors are in working order and make sure the common areas are clear of all hazards and debris. Make sure there's no missing handrails on the outdoor steps, the exterior steps, or make sure it's well-lit on the outside and the interior common areas. So typically, what our inspectors would do, they'll inspect the property, identify any potential

life safety hazards. Once inspected, the loss control report is sent over to us and our underwriting team will review the account, review the report. They may send recommendations if deemed that the property doesn't meet some of our life safety requirements, so we'll send out recommendations. After the inspection, if recommendations are issued, we'll send them out to the broker who would then forward on to the insured and hopefully address some of the life safety hazards we may have seen from the inspector.

Ritchie Vener: Okay. We got another question that was emailed in, which was very similar, but I wanted to make sure didn't miss any nuance here. Any other additional tips for passing inspection?

Lorraine Gallagher: Again, I think it's really the insured just to perform their preventative and routine maintenance on the property. Make sure the heating system's serviced annually, make sure they inspect the plumbing for leaks. Make sure they remove leaves from gutters, check smoke detectors. Again, make sure they're working order. Inspect the roof, make sure there's no missing or loose shingles. In the winter, make sure the heat's maintained, and just a couple of these listed on the slide also. The sidewalk, make sure you're not avoiding... avoid storing items on the sidewalk, avoid extension cords, replace interior, exterior bulbs, make sure the lighting is good for the outside and inside. A lot of the claims come in because there's wasn't enough lighting outside, so they didn't see the step. They slipped on the step. Again, this is all preventative and routine maintenance insureds to rarely do.

Ritchie Vener: Okay. Lorraine, I'm not quite sure if I capture this question right from the email, but the way I paraphrase, could you talk to the importance of risk transfer in hiring qualified/insured contractors?

Lorraine Gallagher: Right. So the purpose of risk transfer really is to pass the financial liability of risk like legal expenses, damages awarded, and repair costs to the party should be responsible should an accident or injury occur on the insured's property. So really some of the risk transfers that we have and must be acquired for our commercial tenants or our third-party vendors and contractors. I mentioned it previously on our Sedgwick Repair Service. It's really crucial for your insureds to have

licensed and insured contractors on their property because if they don't, they're really exposing themselves to possible liability lawsuits and we don't want that. Just enforcing some of this stuff, we require as mentioned on the slide, you'll see that we ask for the certificate of insurance for the mercantile to make sure they have their own separate liability insurance, make sure they have the correct underlying limits, make sure all the outside contractors are licensed, and insured. So just some of these enforcing and risk transfer techniques really help mitigate and reduce the liability exposure to your insured, to the insured in the event of a claim. I hope that answers your question.

Ritchie Vener: Yeah, I think so. All right. Matt, here's one for you. Is an umbrella needed too, and just Distinguished have an umbrella for this type of program?

Matt Walters: Yes. We could now offer a supported umbrella for our underlying City Insurance policies. Just submit through the online portal and you're good to go.

Ritchie Vener: Great. Okay. And maybe if you could tell me a little bit about what the eligibility for that umbrella would be?

Matt Walters: Sure. Yeah. No, our express umbrella that we've launched recently with a new carrier is offering really for smaller schedules, one to five locations needing lower limits. We can write up to 5 million at the current time, looking to expand that to 10. For schedules more than five locations, just contact your sales executive.

Ritchie Vener: Great. Okay. Thank you. Lorraine, one more question I'm going to ask you and then we'll go to the questions from the audience here. Could you just give a little bit on the current state of the city insurance market?

Lorraine Gallagher: Right. So the property insurance, the market for the habitational risks has experienced a consistent rate increase over the last several years as a result of some of the loss frequency and severity. Some of the carriers have changed their appetites, have changed their internal

guidelines, definitely made changes or even exited the market altogether. They're not even in this space anymore. I feel here at Distinguished Programs, we really continue to offer our brokers a competitively priced, stable product for all the habitational risk through our City Homes program. So I think we're doing a pretty good job.

Ritchie Vener: Okay, great. Thank you, Lorraine. All right, so I'm going to take some of the questions from the attendees today. Please note that if we run short of time and we can't get to all the questions now, we'll be emailing everyone a PDF with all the questions and the answers from today's session. So if we don't get to it live here, we'll have an answer to those questions in a follow up to the session. So the first question is, up to how many stories do you write?

Lorraine Gallagher: I can take that, yeah.

Ritchie Vener: Okay. Go ahead, Lorraine.

Lorraine Gallagher: So we write from 2 to 20 stories.

Matt Walters: Yeah, 20's our max.

Ritchie Vener: Okay. Any chance you will extend to brick veneer in St. Louis?

Matt Walters: Never say never. I think we're evaluating our book of business, the territories, the construction type. Right at this moment, we're having discussions with our leadership and where we want to take it. So I would say there's a possibility, but we're in the works of some other expansion states as well as eligibility. So more to come.

Ritchie Vener: Okay, great. Is 25 million your maximum property capacity, and if it is, is there something else that we can do?

Matt Walters: No, we can write more. That's really more of a single TIV, and sometimes if you have two locations next to you, we can group that together because it's one exposure, but we can write schedules that are more than 25 million on a policy term.

Ritchie Vener: Okay, great. So this one, I don't know why it's cut off a little bit here, but I'll see if I can get it properly. Do you write in New York, specifically the Boroughs? If you guys have Brownstones and then it cuts off. I'm assuming it's going to say are brownstones eligible.

Lorraine Gallagher: We do, we have a sister program. So to our City Insurance program, we also have a program, New York Brick & Brownstone program which is specific to the boroughs, the Brooklyn, Manhattan, and Queens. So yeah, I would say to that person who asked that question, go over to our website and take a look and find out more of that. Very similar to the City Insurance program, but it's tailored for New York. So yeah, take a look at the website. We definitely do have a program for the New York risks.

Ritchie Vener: Right. And my understanding-

Matt Walters: That's able to be quoted online through the online portal.

Lorraine Gallagher: Yeah.

Ritchie Vener: Right. Our New York Brick & Brownstone, it's a longstanding program, very successful. One of the leading program managers for that type of thing in the New York City area.

Lorraine Gallagher: Yep.

Ritchie Vener: Does a two unit building need to be owned by an entity, or can it be owned by... and again, unfortunately it's cutting off here a little bit. Let me see if I can just get a little bit better here. Or can it be owned by an individual to qualify?

Lorraine Gallagher: So we... it could be under an individual or an entity. So say Lorraine Gallagher owned a two-unit building. All of a sudden, I incorporated it and I have an LLC now to cover my personal assets. I can definitely insure that building under my LLC with the City Homes... on the flip side, if I didn't, I had it under my personal name, I can definitely insure it under Lorraine Gallagher.

Ritchie Vener: Okay, great. So if a unit is vacant in between rental from one tenant to another, is the property still covered, or do we need to add a vacant endorsement?

Matt Walters: So to clarify, they're saying one of the units is vacant?

Ritchie Vener: Yes.

Matt Walters: Or is it a vacant building? Okay.

Ritchie Vener: Well, I'm not certain from the question.

Matt Walters: Well to cross-sell, we do have a vacant building builders risk program that handles vacant buildings. However, if it's a unit that is vacant, we're okay with that, but we really want 75% of the building occupied.

Ritchie Vener: Okay.

Lorraine Gallagher: But on... we also understand that within leases run out. So the landlord might want to repaint or change the toilet out or something. So we definitely understand that, but if it's going to be major renovations or a long-term vacancy and the building is less than 75%, yeah, it doesn't qualify for the program, unfortunately.

Ritchie Vener: Okay. Any marketing pieces available? I can answer that. If you go to our website and look at the program, there'll be a resources section and you can download any of those pieces to send on to your insureds. For the umbrella, really, there's a couple of questions on umbrella. For the umbrella, does it include personal and commercial liability or one or the other?

Matt Walters: Commercial only. So we do not cover the personal lines over the umbrella.

Ritchie Vener: And is the umbrella minimum premium?

Matt Walters: We do have minimum premiums depending on one, two, and 5 million limits. \$500, 850, and I believe 1600 for the minimum premiums.

Ritchie Vener: Okay. All right. We're almost out of time here. So I just wanted mention again that if we didn't get to your question, we have all the questions saved. We'll find answers to them and send them out to everybody who was on the call, registered for this, but let me ask our panelists before we go. Is there any final piece of advice that you'd like to give to the audience? Lorraine?

Lorraine Gallagher: Yeah, I just hope everyone found this Q&A helpful. I definitely feel our willingness to help you guys. We're excited to work with our brokers. We really want to partner with you guys to help out the needs of your clients. Not only on the underlying package with the City Insurance program, but also the associated umbrella now. So we really feel if we could help your client all under one roof and provide that coverage, the key is the ease of doing business. Really. We have an amazing team of experienced underwriters. We have sales executives really experienced. They're really here to help you.

Lorraine Gallagher: So I... my advice is if you ever come across an account on your desk and you figure out you're not quite sure if it fits our appetite or it might not be eligible, I would say pick up the phone, give us a call. I swear we don't bite. We're really friendly over here. So give us a call, find out if it fits, and hopefully we can find a place for it at Distinguished Programs. Last but not least and I was leaving it to the end to do a little announcement, but Matt mentioned it earlier. I would say be on the lookout later this year as we announce different cities and more states across the US for our City Insurance program.

Matt Walters: And I would just add, I would end with think of Distinguished and our City Insurance program for a solution for your urban habitational needs. I appreciate your time.

Ritchie Vener: Great. Thank you, Matt. All right, if you enjoy today's webinar, stay up to date on our latest events by following us on social media. We post about the insurance market with insights and industry news, and you'll learn about our latest free webinars, eBooks, and case studies. Thank you to everyone who joined us for today's webinar. Thank you to our panelists, Lorraine Gallagher and Matt Walters.

Lorraine Gallagher: Thank you for having me. Enjoy the rest of your day.

Matt Walters: Thank you, Ritchie. Thanks everybody for joining.

Lorraine Gallagher: Thank you.

Ritchie Vener: And yeah, thank you everyone who attended for your time, and have a wonderful rest of your day. Bye.

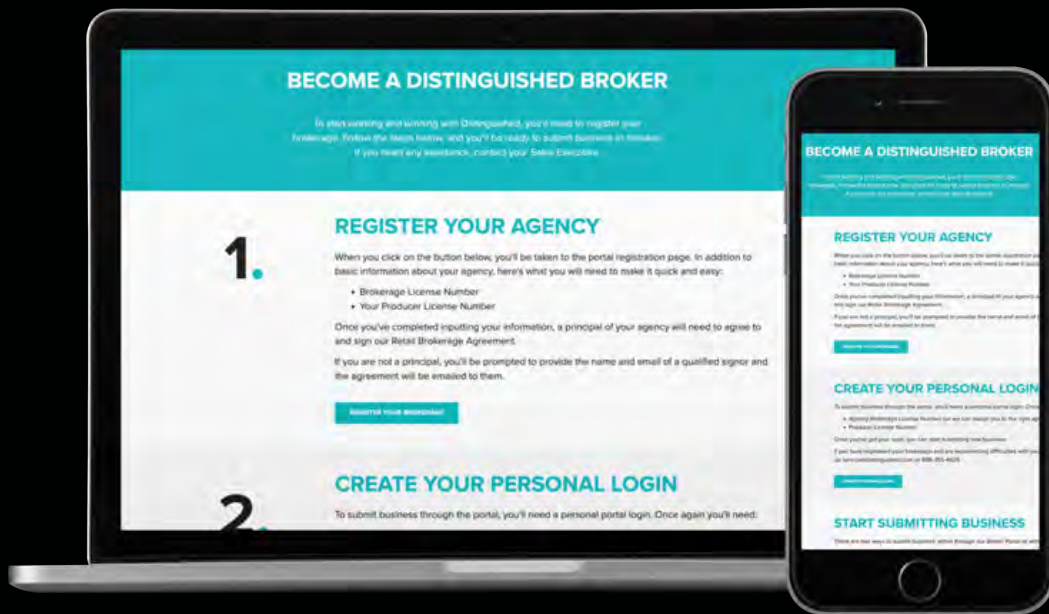
Matt Walters: Bye.

Lorraine Gallagher: Bye.



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