

LIVE WEBINAR | EXPERT INDUSTRY PANEL

Protect Your Client's Real Estate Assets

Prosper with Umbrella Insurance



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PROGRAMS

Michael Schleich: Okay, well, welcome to the webinar. We still have a few people logging in, so we'll give them a minute or two to get settled, and then we'll get underway.

I still see attendees signing in, so we'll give it another minute.

Okay, well the numbers seem to be slowing down a little bit, so I think we're ready to go. So, hello, everyone, and thank you for joining us for our webinar, Protect Your Client's Real Estate Assets and Prosper with Umbrella Insurance. My name is Mike Schleich. I'm a Regional Sales Executive at Distinguished Programs. I have experience providing risk management and insurance services to key accounts and managing and developing broker relationships at every level. Before joining distinguished programs, I spent nearly 15 years in executive sales and business development positions at AIG.

Just a note, we'll send all registrants a copy of the slides, the webinar recording, and a PDF with the questions and answers from today's sessions. So if we don't get to all of your questions live today, they will be addressed in the information sent out. And if you have a question during the presentation, please use a Q&A button at the bottom of your screen.

Distinguished Programs is a leading national insurance program manager, providing specialized insurance programs for real estate, community association, hotel, and restaurant space. 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 their specialty areas, for superior coverage, competitive pricing, and attentive service.

Joining us today is Carly Heitlauf. Carly is the product manager for our real estate umbrella. She's a Central Washington

University graduate and has been in the insurance industry for 12 years. She began her career in Life and Health in 2010 and focused on long-term care insurance. In 2014, she switched gears to the property and casualty sector and joined Fulcrum Insurance Programs.

Fulcrum Insurance Programs was acquired by Distinguished Programs. Carly joined the real estate umbrella underwriting team and has since been focused on underwriting profitable new businesses, building strong carrier relationships, assisting in the management of the program, as well as managing the real estate business underwriting team. The new business underwriting team.

And Chris Larson Chris is the product manager for our Express Umbrella Program. Chris graduated from the University of Wisconsin and Madison and began his career as a Commercial Lines Underwriter for Century Insurance. Since joining, he joined Distinguished in 2017 with a background in underwriting and has underwritten both new business and renewal accounts by Distinguished's underwriting and program guidelines for three different programs within our company. Chris excels at working with retail brokers and carriers to meet their servicing needs and standards.

Distinguished currently manages six distinct umbrella programs. Three for the hospitality industry, one for restaurants, and the two programs we're here to discuss today that focus on real estate risks. We'll quickly run through some of our real estate insurance program basics before we get to some initial questions. Carly, do you want to start?

Carly Heitlauf: Yes, I do. Thanks, Mike. We're here today to specifically talk about our two real estate umbrella programs. You hear these referred as the Real Estate Umbrella Program and the Express

Real Estate Umbrella Program. So, while they have pretty similar appetites, we'll go through some key eligibility differences. Distinguished Programs has the ability to provide real estate umbrella insurance up to 140 million in limits. Chris, do you want to discuss some benefits of using Distinguished Programs?

Chris Larson: Yeah, thanks Carly, and thanks, Mike, for the intro. Yeah, some benefits of using Distinguished Programs, specifically these real estate programs that we're talking about today, is we at Distinguished have the power of the pen and strong relationships with our carriers, which helps to get the right deals done. And really, I wanted to touch on this Express Umbrella product. We try to provide that power of the pen to our retail brokers or partners, especially on the risks you're submitting in the portal. They fit our program appetite. Oftentimes, not only can you submit, but as a broker, you may be able to quote and bind those risks. So really, Distinguished, we try to transfer that power of the pen to our brokers when we can.

But another benefit to working with Distinguished is peace of mind to use our expertise to serve your clients better. We provide an unmatched solution, combining our expertise, service, limits, and pricing for an unbeatable offering. We have competitive pricing, so leverage our buying power for low minimum premiums and high liability limits. And to show the difference here, so the Express Umbrella product, we can do a one-million limit for \$500, the minimum premium, whereas the real estate umbrella, the larger tower, we can go up to 140 million of limits. So really, both ends of the spectrum there. And we're world-class experts. We'll guide you and your clients through coverage to claims for absolute ease of use with our products.

And then the next slide is on the Express Umbrella, which I'll hit on as well. Our Express Umbrella product is broken into two categories. The Express Community Association Umbrella is

geared toward those more minor community association-type risks. Then we also have the Express Real Estate Umbrella, geared toward smaller real estate clients. We can do up to five locations for the Express Umbrella product. And this product also has more minor limit needs. We offer one mil, two mil, five mil, and ten mil limits for the Express Umbrella product. And that product is available nationwide, except for in the states of New York and the state of Georgia.

And then the next slide is on the eligible property types for, specifically, the Express Umbrella, so Express Real Estate. So really, Express Real Estate, the first of four categories here, office buildings, strip shopping malls, and standalone retail fit into that Express Real Estate bucket. And we also can do rental apartments, but only when supported by our City Insurance Program. The City Insurance Program writes rental apartments in particular cities across the country.

If you happen to have a risk in that City Insurance Program, we'll be able to provide an umbrella for that risk in this Express Umbrella Program. But to note, we're not currently writing any unsupported rentals in this Express Umbrella segment. And then the other property types would fit into that Express Community Association Umbrella, which is all your community associations from your condo associations, your HOAs, PUDs, et cetera.

And then, the next slide will be a closer look at the eligibility requirements for this Express Umbrella Program if you want to flip the slide here. Thank you. The Express Umbrella eligibility. So a few conditions are we require the underlying GL carrier to have at least an AM Best rating of A- VII or better. We look at the effective age of the buildings, so we say 25 years or less. That means the building has had a complete system replacement in the last 25 years or updates to the major systems so they're in good working condition in the past 25

years. And those systems we're looking at are the HVAC, electrical, plumbing, and roof. All four components would need an effective age of under 25 years.

I mentioned earlier that we could only consider up to five locations for this Express Umbrella, so if you have a six-location office schedule, unfortunately, that would be a little bit too big for this Express product. And we can, sorry. We can also consider up to one owned auto for the Express Umbrella eligibility. And then there are a few things–

Michael Schleich: Hey Chris. I just wanted... A quick question. We got one that's appropriate for right now. You mentioned no New York, and I don't think anybody listening is wondering why not New York, but I did get a question about why not Georgia? So you or Carly can elaborate on why Georgia isn't a state we do business in. Or that would be your question because we offer it in our Real Estate Umbrella.

Chris Larson: And actually, there's a later slide that touches a little bit on, especially, these real estate risks, nuclear verdicts, and just how juries and courts are viewing these types of properties. And in certain areas like Georgia, we end up seeing those types of verdicts more often, and it just ends up being more challenging to write those risks. I don't know, Carly, if you have anything additional.

Carly Heitlauf: Yeah, that's precisely... Just the litigious state of Georgia.

Michael Schleich: All right, thank you, Chris.

Chris Larson: Yeah, yeah, no problem. And then just a few things here that would make a risk not eligible for our Express Umbrella product, which would be if you have a building that's over 20 stories, if you had a single building of more than 100,000 square feet, so

obviously if you're over 20 stories, I'm sure you're also over that 100,000 square feet threshold as well. And then, we can only consider up to 300,000 square feet for a full schedule. If you add five locations, and they're all close to that 100,000 square feet mark, the schedule will be over that 300,000 threshold, so it would not be eligible for our Express Umbrella product. And then, the next slide here, I'll kick it over to Carly to talk about the real Estate Umbrella.

Carly Heitlauf:

The Real Estate Umbrella Program is geared towards your larger real estate clients who need the larger limit. In this program, we can offer up to 140 million in limits, and we offer five different quote options, starting at 10 mil, and then we offer the 25 mil, 50 mil, 105 mil and 140 mil. This product is available nationwide, and it is available to commercial and residential properties. If we go to the next slide, we can take a broader look at the eligibility for this program.

We require that all of our underlying carriers are AM Best rated A- VI or better. There's no cap on locations in this program, so if it doesn't fit express, we can accept single locations up to a schedule of 150 locations. There's genuinely no cap there. There's no cap on autos in this program, and we are typically targeting office buildings, retail buildings, shopping centers, strip malls, and enclosed malls, as long as they're less than 1 million square feet, light industrial warehouse buildings, residential apartments, and larger condo associations.

To give you an idea of a few program knockouts, the following would not be eligible for our Real Estate Umbrella Program. Any locations over 50 stories, any student housing affiliated or contracted with a school or university, mobile homes, RV parks, assisted living, and nursing homes would not be eligible in this program.

Michael Schleich: Hey Carly, real quick. I often get this question: What if there's no assistance, but there are pull cords? In a senior or over 55 community... What's our take on that?

Carly Heitlauf: Great question. If there are pull cords, then that would be ineligible in our program. We're looking for independent senior living, geared to the 55 and older community, but it's all independent without any senior-type amenities.

Carly Heitlauf: If we go to the next slide, we can discuss the critical coverages between the Real Estate Umbrella and the Express Umbrella. I will start off by discussing the Real Estate Umbrella. And in this program, there's no mandatory assault and battery exclusion. We have an abuse and molestation exclusion for minors, but this can be removed if favorable underwriting information is provided. We provide crisis response coverage, unintentional errors or omissions, and broad-named insured endorsement to include additional insured. Also included is a limitation of coverage to specified locations endorsement, which states that newly acquired locations must be reported to the company within 90 days. Chris, do you want to tell us about Express?

Chris Larson: Yeah, thanks, Carly. So yeah, some coverage benefits in our Express Real Estate Umbrella form is we have pay on behalf language in the form, and there's zero retention. If a claim ends up being in litigation for a long time, those defense costs can add up. It's a great benefit that the limit of liability isn't eroded to those defense costs. We are silent on assault and battery, so there's no exclusion in the form. Similar to sexual abuse and molestation, there's no exclusion in the form; we're just silent on that exposure. There is a broad name insured endorsement, and there are also unintentional errors and omissions in the form.

And then the next slide is on our crucial program differences between the Express Real Estate Umbrella and the Real Estate

Umbrella. So I'll start with going through the Express Umbrella and kick it over to Carly. I mentioned earlier the express umbrella is broken into two segments. We have our Express Real Estate and our Express Community Association products. The Express umbrella is really for those smaller schedules, so one to five locations, above that five locations threshold it would be a better fit for Carly's program, the Real Estate Umbrella. And generally, those smaller schedules require lower limit needs. So we only have limits up to 10 million in this Express Umbrella Program.

We also mentioned that this is available nationwide, the Express Umbrella, except for two states, Georgia and New York. You can submit the Express Umbrella right in our broker portal, and oftentimes you can also quote and bind as a broker as well. Assuming there's no referral triggers or any reason why the risk goes to an underwriter, you may be able to go right through the portal and do that all yourself. And we also have lower minimum premiums on this Express Umbrella Product. For example, our highest limit we can offer is the 10 mil. And our 10 mil minimum premium across most of the country is 2850. And then Carly-

Michael Schleich: Chris, can you include D&O on your umbrella if you're writing a condo association? Or HOA?

Chris Larson: Great question. Yeah, so especially for these community associations, we expect an underlying D&O. And if the D&O underlying carrier meets our AMS requirements, we will also follow a form with the D&O. That's built right into our form. If you have that coverage and meet the requirements, we'll be following form for the D&O.

Michael Schleich: Great, thank you.

Chris Larson: Great question. Yeah. And then Carly, if you want to hit on some differences in the Express Umbrella, or sorry, the Real Estate Umbrella.

Carly Heitlauf: Sure, no problem. The Real Estate Umbrella, again, is designed for more significant residential, commercial and mixed-use properties. We can accommodate a single location or schedules with higher limits needed up to 140 million in limit. Again, we are available in all 50 states. This is not a portal-facing product like Express, so the complete submission must be sent through your Distinguished sales team. And in this program, we do have a higher minimum premium, typically starting around about \$10,000 in premium for a 10 million umbrella limit.

Michael Schleich: All right, great. Well, thank you very much. And we did get a few questions before the start of the webinar, so we're going to dive into those first. I'll kick it off with one to you, Carly. What's the turnaround time for an account that's submitted? How much time do we need before we can quote it?

Carly Heitlauf: Yeah, so for the Real Estate Umbrella Program, the turnaround time can vary, mainly just due to the back-and-forth underwriting information that we may need or if a carrier referral is required. So typical turnaround, once the underwriting team receives the submission, ranges from about three to seven days, seven days if a carrier referral is needed. And then it helps us a lot when the agencies can provide us with a quote required by date, so we can prioritize submissions and try and meet those deadlines for our brokers.

And then I was going to touch on Express a little bit for Chris for this turnaround time as well. For the Express Umbrella, you, as the broker, can submit the applications through our portal. Depending on the risk, you'll usually be able to quote and potentially even bind yourself using the portal. If for some

reason, your account triggers the underwriting approval, the turnaround time is still typically only about two business days.

Michael Schleich: What do you require? Chris's information is asked for through the portal, but you have some stuff submitted via email. What do you ask for?

Carly Heitlauf: Absolutely. We require five years of currently valued carrier loss runs. We need our distinguished supplemental application, which can be found on our website, a location schedule, or a statement of values. We want this to include location address, exposures, and fire life safety information. And last but not least, we would require all underlying quotes for coverages we would be scheduling on the umbrella. In addition to an underlying GL quote, we might collect an underlying auto or employer's liability, EDO, D&O, to name a couple.

And then for Express, the application process is the same as I just described, but the application can be completed using the portal. And for Express, you only need to collect the underlying general liability quote. And that's because for the Express Real Estate Umbrella, we don't schedule underlying coverages on our umbrella. If we go to the next slide, Chris, could you tell us the key underwriting factors when considering premium?

Chris Larson: When we rate risk for the umbrella, we look at a few different things. So first, we'll start with the exposure types. What is this risk? Is it an apartment building that will rate differently than your LRO office building, et cetera. Every different exposure type we look at will have a different rating methodology behind the scenes. We'll next look at the jurisdiction or territory. We'll be drilling down to the zip code or the ISO territory, but we have rates based on where the risk is located.

We're always going to be considering the loss history. So as Carly just mentioned, for her program, you'll be submitting loss runs for each submission, and the underwriter will look at that loss history via loss runs. For our Express Umbrella Program, typically, there are just a few loss-related questions in the app. If there's no referral trigger or no past losses, we typically will not request the loss runs for those express accounts. But loss history is always something that we consider in our underwriting process. If proactive safety protocols and training are done by the insured, that's also something we would consider in our approach.

Carly Heitlauf: That leads into our next slide, which determines how much limits my client would need. Selecting umbrella limits should be taken very seriously. We know that this can be difficult as you're trying to predict the magnitude of an event that may or may not happen. Beyond the required amount from banks, we also need to look at all exposures. Here are a few that we would consider.

Property amenities and exposures, does the property include pools, recreational facilities, playgrounds, fire pits, and fitness centers? These are all things that open your client up to more liability. Autos, does your client have a fleet of vehicles and trucks? We know that auto claims tend to have large and frequent lawsuits. Security and safety programs, how tight are your client's risk controls in place? This is just a tiny sampling of factors we need to consider when determining what umbrella limits your client may need. Chris, do you want to talk to us in further detail about why clients need umbrella coverage?

Chris Larson: Yeah, so especially in this real estate sector, we're seeing higher judgments and settlements being reached in liability cases, leaving property owners vulnerable to financial loss without proper umbrella limits in place. Adding on to that, we see juries and courts place a higher standard of care and responsibility for

those landlords and your real estate management companies, especially regarding the security and safety of their premises. And because of that, we see broader contract interpretations, which may result in greater liability exposure for the property owners. And really, it can come down to needing the appropriate amount of umbrella limit, which could end up being the difference between being able to stay in business or not.

Carly Heitlauf:

Here are five real-life examples of losses paid out over \$1 million. And as you can see from these titles, these are claims that aren't caused by anything that is out of the ordinary. The majority of the schedules that we might have swimming pools, or they have elevator exposure, all properties have the risk of slip and falls and fire life safety concerns, so if we dig into the first example, it's from a pool drowning where a three-year-old child wandered into the swimming pool area of the condo complex through an unsecured door. The minor was found face down in the pool and died a week later. The property owner settled with the family for \$6 million for that claim.

In our second example, which could happen anywhere, well, anywhere that has black ice. In our second example, an apartment resident slipped and fell on a sheet of black ice while walking from the building to his car. He fractured his tibia and developed complications. Through mediation, this case was settled for millions as well.

And then the last one I'll just read aloud is regarding the elevator claim. A young man was seriously injured in a commercial office elevator accident. The defendant claimed that the property owner failed to keep all safety hazards in mind. The agreed-upon settlement amount was \$8.5 million. These are all good examples of how many claims are paid out these days. And why buying the higher limits is needed.

Michael Schleich: We got a couple of questions in, and I'll remind everybody that all the rest of the questions we've received will be coming out in an FAQ at the end, along with the rest of the things. We did have a question, Chris. It's mostly for you, but if you have a condo building in Florida, if all of the building updates are not complete, will it still be eligible if it's just the road that's been updated?

Chris Larson: Yeah, so it'll come down to if it's a condo building and there're common areas that are the association's responsibility, we probably would have to decline those risks if they haven't been updated in over 25 years. The major systems. We often will work with the broker to understand whether the unit owners are responsible for everything. Are they responsible for the plumbing, HVAC, and electrical? It may be the responsibility of the unit owner, not the association. We can underwrite through that, but that's generally the response there.

Michael Schleich: Got it. Okay. Well, I want to be respectful of everybody's time today, so we will, like I said, get you the answers to any of the questions that are still coming in. I wanted to ask each panelist one last question. In 10 seconds, what's your final advice to somebody looking for real estate umbrellas with Distinguished? I'll start with you, Chris.

Chris Larson: I would say check out our website. Not just for these Real Estate Umbrella products, we also have our Community Association Suite of products, restaurants, hotels, et cetera. It's the best spot for you as a broker to go and quickly get the most up-to-date information about our programs.

Michael Schleich: Agreed. Carly?

Carly Heitlauf: And I would like to say that we have a large team of sales executives and underwriters who are all here to help. Whether it's new or renewal business, please don't hesitate to reach out

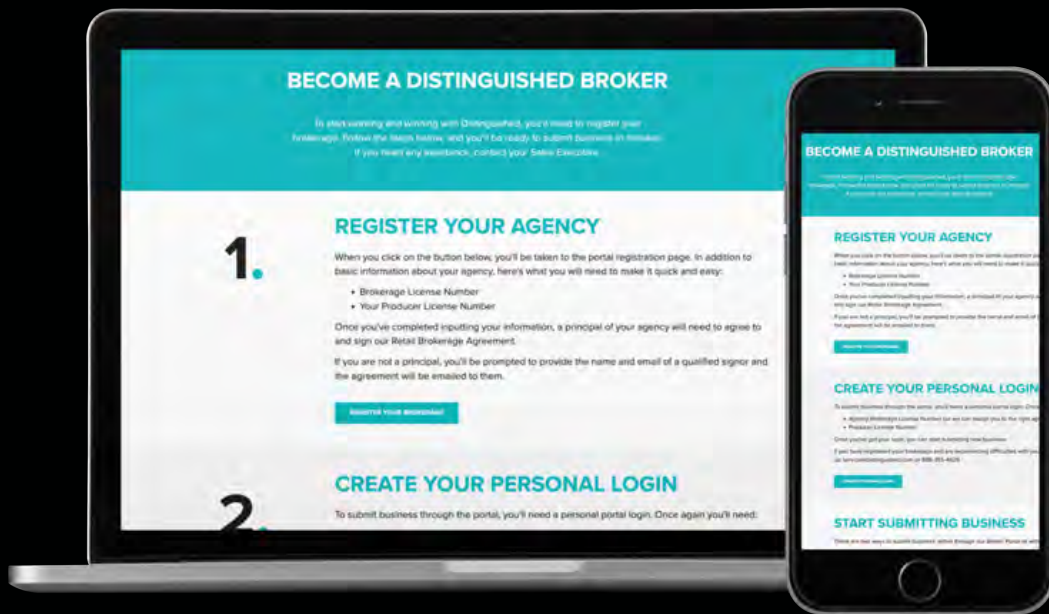
to us, and we can all assist with pre-qualifying your submissions and ensuring they're placed with the right program.

Michael Schleich: Wonderful. Well, thanks to everyone who joined us for today's webinar, and especially to you, Carly and Chris, for agreeing to come on and discuss our programs. So everyone, have a great rest of your day.

Carly Heitlauf: Thanks so much for having us. It was great.

Chris Larson: Yep. Thank you. Thanks, Mike.

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