

October 17, 2005

RE: Directors & Officers Liability Insurance

Directors & Officers Insurance will protect the assets of both the individual and the organization against civil actions for decisions made by the board that have caused a person / company to have a financial loss. As the damages are not "Property Damage or Bodily Injury" there is no coverage under your General Liability Policy.

Although the risk is low there is still the possibility of a loss occurring that the directors would be held responsible for the damages and would have to refund any loss to the society themselves.

Directors & Officers insurance can be purchased individual by a society however the average policy would cost about \$800.00 - \$1,000.00 per society.

As we feel this coverage is valuable, and at the same time are aware of the financial restraints on the individual societies, we have negotiated with Encon Group Inc. to provide a program for Directors & Officers Liability Insurance to all Ontario Horticultural Societies at group rates that are far below the normal market price. Under the group programme the annual premium would be \$100.00 (plus 8% tax) per society.

The policy will provide protection for the society and any individual who was, now is or shall be a director, officer, trustee, employee, volunteer or member of any duly constituted committee of the Society, including the estates, heirs, legal representatives or assigns of any said deceased, incompetent, insolvent or bankrupt individual(s). The policy is extended to cover spouses as a named insured also.

Some Exclusion under this policy.

- Wrongful acts
- Claims causing Bodily Injury, Sickness or property damage
- Claims caused by escape of Pollutants
- Claims arising out of the rendering of professional services to others for a fee or for free.
- Any Fraudulent or Dishonest Acts
- Claims that would be covered under other insurance such as Property, liability, Auto, Ext.

Summary of Coverage:

- \$500,000.00 per claim with an aggregate limit of \$1,000,000.00 Annual premium \$100.00 per society (plus 8% tax)
- \$0 Deductible
- Annual premium per society \$100.00 (plus 8% tax)



We have created a Master Policy with Certificates of Insurance for the individual societies. Each claim will have a maximum policy limit of \$500,000.00 with a total aggregate limit of \$1,000,000.00 for the plan.

This can be confusing but basically the OHA would have a pool of \$1,000,000.00 available to all societies. If a claim does occur the maximum payment for any one claim will be \$500,000.00. Each claim would decrease the \$1,000,000.00 by the amount of that claim until the \$1,000,000.00 is used. If the limit were used prior to the end of a term a new policy would have to be issued to ensure coverage was available.

For example: 10 societies could have 10 claims for \$100,000.00 each
or
20 societies could have 20 claims of \$50,000.00 each
or
Any other combination of claims adding to a total of \$1,000,000.00.

Note: The new policy would be based on loss history and therefore would cost a lot more to purchase if it could be purchased at all. As mentioned in several talks over the years a claim from one society will affect the rate for another. This is the only way we can issue a group policy to keep the rates low enough for the societies to purchase.

To help keep the cost of this insurance to a minimum there are several conditions on how it would be issued.

- All societies would have to participate.
- One master policy with certificates to the individual societies would be issued
- No coverage for wrongful dismissal
- Prior acts will be excluded – Only claims that would occur once the policy was in place would be covered.
- The OHA would pay the annual premium and would charge each member society for their portion of the premium.
- Certificates would be forwarded to the OHA and they would forward the certificates to the individual societies. This is the same way we do the liability insurance.

I trust the above and enclosed is satisfactory and look forward to the return of the completed application and Financial Statements. If you have any further questions please feel free to contact me at my office.

Yours truly,

LAW INSURANCE BROKERS LIMITED

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