**Addendum – Insurance Coverage’s**

**Background**

|  |  |  |  |
| --- | --- | --- | --- |
| **Risk management** is the identification, assessment, and prioritization of [risks](http://en.wikipedia.org/wiki/Risk) followed by application of resources to minimize, monitor, and control the impact of unfortunate events. Risks can come from uncertainty in financial markets, project failures, legal liabilities, credit risk, accidents, [natural causes and disasters](http://en.wikipedia.org/wiki/Act_of_God) as well as deliberate attack from an adversary, or events of uncertain or unpredictable causes. This addendum focuses on pure or insurable risks. Risk is a situation involving an exposure to danger, harm or a loss.There are accept all or a portion of the risk accept all or a portion of the risk three primary ways address risks or exposures to Samsonite: Accept all or a portion of the risk Transfer all or portion of the risk Avoid or eliminate all or a portion of the risk Example: Risk- a retail store in a flood zone. We can accept all or a portion of the risk: Make a decision not to purchase insurance (accept all of the risk) or purchase flood insurance and retain a deductible on an insurance policy (accept a portion of the risk). Transfer all or portion of the risk- Purchase flood insurance with a deductible (transfer a portion of the risk) to an insurance carrier. Purchase insurance with no deductible (transfer all of the risk). Purchase insurance with a deductible (transfer a portion of the risk).

|  |
| --- |
| Avoid or eliminate all or a portion of the risk - Selected a location for a retail not in a flood zone (avoid or eliminate the risk) or have a retail store in flood zone but on the second floor of the retail outlets (reduce or mitigate the risk).**The sole existence of an insurance coverage should not have any impact on how Samsonite deals with preventing accidents and loss. Our goal should be to eliminate or reduce unsafe acts or unsafe conditions.**  |
|  |
|  |

 |
|  |

**Risks**

With regards to insurability, there are basically two categories of risks

|  |  |  |
| --- | --- | --- |
|  |  |  |
|  |  |  |

**Speculative Risk**

Speculative risk is a situation in which either profit or loss is possible.

Examples of speculative risks are betting on a horse race, investing in stocks/bonds and real estate.  At the business level, in the daily conduct of its affairs, every business establishment faces decisions that entail an element of risk.  The decision for Samsonite to venture into a new market, purchase new equipments, diversify on the existing product line, expand or contract areas of operations, commit more to advertising, borrow additional capital, etc., carry levels risks inherent to the business – which also allows for opportunities.  The outcome of such speculative risk is either beneficial (profitable) or non beneficial (loss).
Speculative risk is normally uninsurable.

**Pure Risk**The second category of risk is known as pure risk. Pure risk is a situation in which there are only the possibilities of loss or no loss, as oppose to loss or profit with speculative risk.  The only outcome of pure risks are adverse (in a loss) or neutral (with no loss), never beneficial.  Examples of pure risks include premature death, occupational disability, catastrophic medical expenses, and damage to property due to fire, lightning, or flood or injury or damaged or injury to a third party or interest.

**What is Insurance?**

**Insurance** is the equitable transfer of the risk of a loss, from one entity to another in exchange for payment. It is a form of [risk management](http://en.wikipedia.org/wiki/Risk_management) primarily used to [hedge](http://en.wikipedia.org/wiki/Hedge_%28finance%29) against the risk of a contingent, uncertain loss.

An insurer, or insurance carrier, is a company selling the insurance; the insured, or policyholder, is the person or entity buying the insurance policy. The amount of [money](http://en.wikipedia.org/wiki/Money) to be charged for a certain amount of insurance coverage is called the premium. [Risk management](http://en.wikipedia.org/wiki/Risk_management), the practice of [appraising](http://en.wikipedia.org/wiki/Decision_model) and controlling risk, has evolved as a discrete field of study and practice.

The transaction involves the insured assuming a guaranteed and known relatively small loss in the form of payment to the insurer in exchange for the insurer's promise to compensate ([indemnify](http://en.wikipedia.org/wiki/Indemnity)) the insured in the case of a financial (personal) loss. The insured receives a [contract](http://en.wikipedia.org/wiki/Contract), called the [insurance policy](http://en.wikipedia.org/wiki/Insurance_policy), which details the conditions and circumstances under which the insured will be financially compensated

Insurance involves [pooling](http://en.wikipedia.org/wiki/Pooling_%28resource_management%29) funds from many insured entities (known as exposures) to pay for the losses that some may incur. The insured entities are therefore protected from risk for a fee, with the fee being dependent upon the frequency and severity of the event occurring. In order to be an [insurable risk](http://en.wikipedia.org/wiki/Insurable_risk), the risk insured against must meet certain characteristics. Insurance as a financial intermediary is a commercial enterprise and a major part of the financial services industry, but individual entities can also [self-insure](http://en.wikipedia.org/wiki/Self-insurance) through saving money for possible future losses.

Insurance products are contractual arrangements between the insured (Samsonite) and the insurer (an insurance company). It’s a mechanism to transfer a portion or all of the risk to a third party.

Insurance contracts (policies) spell out the following details:

* Whom or What is insured (terms, conditions & exclusions)
* Dollar amount of Insurance coverage (limits)
* The cost of the insurance or premium
* Self retention or deductible
* The conditions under which a claim may be made
* The terms of payment if the claim is honored

[Deductibles](http://www.investopedia.com/terms/d/deductible.asp) and [premiums](http://www.investopedia.com/terms/p/premium.asp) vary in amounts. Insurance deductible (sometimes referred to as a “self retention”) is the amount of money the insured must pay toward a claim before the insurance company pays on the claim. Usually the higher the deductible on a policy the lower the premium. The cost of buying and maintaining the policy in force may be paid on a variety of schedules, including annually (the most common), quarterly or monthly.

A person or an entity has an insurable interest in something when loss-of or damage-to that thing would cause the person or entity to suffer a financial loss or other kind of loss.

You cannot receive insurance proceeds unless you have or entitle to an insurable interest.

The development of the concept of insurable interest as a prerequisite for the purchase of insurance distanced the insurance business from gambling, thereby enhancing the industry's reputation and leading to greater acceptance of the insurance industry.

The principle of [indemnity](http://en.wikipedia.org/wiki/Indemnity) dictates that the insured be compensated for a loss, but not for more than what the loss was worth.

There is a wide variety of insurance categories and degrees of coverage’s.

In order to determine what types insurance coverage you may need to acquirer for Samsonite, you need to try to pinpoint just what might go wrong. While that may seem a bit extensive, it's an essential step in identifying those sorts of insurance risks that you'll ultimately have to confront in the day to day operation of Samsonite.

**Insurance Coverage’s –**

**Admitted versus Non Admitted Insurance Coverage**

In a jurisdiction (a country) there are two types of insurance carriers / policies. They are: *admitted* and *non-admitted* insurance. An admitted carrier, also known as a standard market carrier, is an insurance company that is regulated by the jurisdiction and is bound by regulations. Conversely, a non-admitted carrier, also known as an excess and surplus line carrier, is not regulated by the jurisdiction and is not bound by most of the regulations imposed on standard market companies. In other words, admitted carriers are subject to multiple regulations of the jurisdiction while non-admitted carriers are not subject to many of regulations of the jurisdiction. Most countries (jurisdictions) do not allow non- admitted coverage and therefore Samsonite must purchase admitted (local policies) for insurance coverage. By having admitted policies (local policies) in force enable Samsonite “to attach” excess levels of additional coverage to the local policies thereby enabling us to have increase insurance limits in a cost efficient manner. This applies to both our property, general liability and other professional liability coverage’s.

**Claims Made vs. Occurrence Coverage**

### Claims Made Policies

As the name indicates, *Claims Made* Policies provide coverage for claims made in the period the policy is in force. Claims made policies provide coverage only so long as the insured continues to pay premiums for the initial policy and any subsequent renewals. Once premiums stop the coverage stops for any claims not known or made to the insurance company during the coverage period. What this means to the business owner is that there is a risk of an unknown or unreported claim being made long after the policy period and not being covered because the claim was made outside of the coverage period. To continue coverage after the coverage period, the business owner must purchase "a tail." Tail coverage (or, the Extended Reporting Endorsement) is an endorsement that extends the claims reporting period after the policy is ended. Tail coverage must be purchased to continue any risk protection afforded under the policy. Tail coverage can be expensive and can prove to be an unaffordable expense when winding down. If you move from one insurer to the next with claims made coverage you must purchase tail coverage or your new insurer must include a prior acts endorsement. The new insurer assumes coverage for the prior acts occurring in the other carrier's coverage period.

### Occurrence Coverage

*Occurrence coverage* is insurance that provides coverage for the act when it occurs - regardless of when it is reported. If you had coverage under an occurrence policy in 2000 and the claim is reported today then the claim is covered.

**Types of Insurance Coverage’s**

 **Property Insurance**

The assets and earnings of Samsonite are exposed to loss from fires, floods, earthquakes, and a variety of other perils. It’s important that each regional ensure they have broad insurance protection covering all owned properties, storage as well as other properties where the insurance responsibility is assumed by Samsonite under lease or contract. Property insurance covers Samsonite’s business’s property and inventory against physical loss or damage by accident, theft or some other covered cause. Samsonite has a global property insurance program with FM Global. The countries covered under the current property insurance program are: US, Canada, Mexico, Hong Kong, Macau, Japan, Australia, and all of Samsonite’s interest in Europe. Additional locations are encouraged to participate in this global program in order to share in the benefits of a global program of “all risks coverage” at a very favorable premium along with loss prevention engineering services at no additional charge. It should be understood although Samsonite having sufficient property insurance coverage does not exempt third parties to insure themselves for their risk and or liability.  Example: If inventory of goods at third parties locations is sufficiently covered by Samsonite, it does not exempt the third party to insurance coverage to cover their liability that they may have for the goods under their care/custody and control. Typically a property insurer will go after the liable party to get the money they have reimbursed to Samsonite.  Again this can clearly be incorporated in the contract negotiations performed by the regional legal department in cooperation with the regional/ local insurance/risk manager or CFO. Every effort should be made to ensure that third party providers have adequate insurance coverage’s to cover losses they may cause to a Samsonite’s interest.

Property insurance covers all risks of physical loss or damage; including buildings, plant, machinery, stock and merchandise, loss of revenue, loss of income and additional expenses resulting from interruption or interference to the business; and property in the care, custody or control of Samsonite. Samsonite is covered for any insurable interest it has. In addition to having property insurance to cover the replacement costs of Samsonite assets it is also required that each property insurance policy also provides coverage for the recovery of loss income / profits (Business Income or Business Interruption coverage). This is “disability coverage” for Samsonite business operations. This ensures we get paid if we incur loss income as a result of damage that temporarily shuts down or limits our business operations. This insurance coverage is provided by FM global in their property coverage to all countries that participate in their global property insurance program. ***Samsonite interest not covered by the FM Global policy should have similar coverage’s.***

A property insurance policy identifies not only what items are insured but also the conditions under which the insurer will pay for losses. A typical policy will cover damage from fire but not from flooding. An "all risks" insurance policy is one in which it's assumed the insurer will pay unless the policy specifically says otherwise.

The insurance industry refers to events that cause losses as "perils." Fire, tornadoes, earthquakes, burst pipes, mold, termite damage -- anything that could result in a claim is a peril. Insurance policies often exclude certain perils from coverage. They can do this in two ways. One way is to list only the perils that are *covered*, and then deny coverage for all others. The second way is just the opposite: list only the perils that are *excluded,* and then cover all others.

*All risks* refer to a policy that covers all perils except for those listed or excluded. The alternative is a "named perils" policy. The difference lies in where you look to see whether your loss is covered. With an all-risk policy, you look at the exclusions section. If you don't see your peril there, you're covered. A named-perils policy, you look at the coverage’s. If you see your peril there, then you're covered.

All-risks policies frequently divide the burden of proof between the policyholder and the insurer. Policyholders have to prove that they suffered losses of or damage to items covered under the policy, but not that the peril itself was covered. If the insurer believes that the claim stems from an excluded peril, then it bears the burden of proving that. Our FM Global property policy is an “all risks” policy.

Property loss prevention inspections are periodically conducted by our insurance carriers. Usually, such inspections will generate recommendations which are intended to reduce or eliminate loss hazards. Full consideration to all recommendations should be given since their purpose is to aid in controlling losses.

**The Dollar Amount of Coverage**

The dollar amount of coverage for property damage or loss should be consistent with the replacement cost of the properties covered. The annual values submitted should represent replacement value not acquisition cost and have a valuation for loss of continuing operations (business interruption coverage). These values should be reviewed annually for updates.

**Liability Insurance**

General Liability Insurance provides coverage for “third party” claims. A “third party” claim occurs when damages to property or injuries suffered by someone else (to an individual who is a non Samsonite employee or to someone else’s property) for which Samsonite is held responsible. The most common types of third party claims and insurance coverage’s are general liability and professional liability.The evolution of present day society has tended toward more accountability regarding products from defects (product liability) and safe places to conduct business and work (general liability). The penalty for failure is often a lawsuit and the accountability takes the form of a monetary award to the injured party.

This can take in a range of disasters, from the customer who is injured while shopping in one of our stores or incurring a product related injury (a broken handle that causes injury to someone), to the delivery person who injurers themselves (slip or a fall) while on Samsonite property as a result of our negligence. Comprehensive general liability insurance coverage protects Samsonite in the event of claims of bodily injury or physical injury or damage to property. As noted above, general liability insurance coverage provides comprehensive protection in the event of an accident at our workplace or another location where Samsonite conducts business and has an insurable interest. A general liability insurance policy provides coverage to Samsonite for the cost of awards, and will defend suit advanced against Samsonite arising from injury to persons or damage to property which has resulted from our unintended fault or negligence that is covered within the policy. One of the principle exclusions in this type of policy is discharge of pollutants into the air or water. Most of our policies are written to provide coverage wherever we have insurable interest. It is important that all Samsonite legal entities have general liability coverage with a commercial general liability occurrence coverage with minimum limits of liability of not less than $1,000,000 each occurrence, $1,000,000 products/completed operations aggregate, $1,000,000 for personal injury/advertising injury aggregate and $1,000,000 general aggregate. In non admitted countries where Samsonite conducts business activities a local liability policy has to be purchased. Once we have a local policy our excess (non-admitted) coverage’s may be accessible for higher coverage’s limits. Samsonite has a layer of coverage that “sets” between the local general liability policies and our excess layers of coverage. This policy is “difference & conditions” policy which provides seamless coverage between the primary coverage and excess limits of coverage. The most frequent areas where our general liability coverage comes into play might be where one of our products causes injury to a third party individual (outsider). Coverage may also apply to a third party being injured at one of our locations where the cause of the injury was our fault.

**Automobile Insurance**

Samsonite maintains vehicle liability and property damage insurance to cover third party claims arising from vehicle accidents. It also covers employees who have an incident while operating a Samsonite vehicle in the course of their business activity. The insurance carrier will pay on behalf of Samsonite any judgment for bodily injuries to third parties or property damage that Samsonite incurs as a legal liability resulting from motor vehicle accidents. However, good judgment should be exercised in allowing individuals to operate Samsonite vehicles. Where Samsonite operations uses cars or trucks in some manner, we have to have this type of insurance for collision and liability coverage. Our US auto policies also have a provision to cover our employees who are traveling on business when renting a vehicle in the US. US employees who are traveling (for Samsonite business) in the US have this coverage therefore do not have to accept rental car coverage. US employees who are traveling outside of the US should accept rental car coverage. Samsonite businesses in other countries that own or have an insurable interest in a motor vehicle must also have similar vehicle insurance coverage.

**Other Liability Insurance**

Other liability insurances are: workers compensation (covers injuries to Samsonite employees) and of professional liability coverage’s. Types of professional liability insurance are: Directors and Officers, Employment Practices Liability, Crime, and Fiduciary Liability.

##  Workers' Compensation Insurance

U.S. workers’ compensation insurance (employer’s liability) coverage pays for medical and disability expenses (both medical bills and lost wages) for employees who suffer injuries or illnesses related to injuries in the normal course of their job activity.

A component of Samsonite’s worker's compensation policy is employer's liability insurance. Employer’s liability protects Samsonite should a worker make a claim that an accident or illness that was a result of unsafe working conditions. Our policy provides coverage after a deductible. Limit of liability is statutory by jurisdiction. Most premiums are based on payroll/loss experience.

**Directors & Officers Insurance**

A policy designed to protect the directors and officers and the corporation against financial loss caused by litigation brought against directors and officers for an alleged wrongful act. The policy also protects the corporation against financial loss caused by claims brought against it for an alleged wrongful act involving violation of securities laws. Our policy provides broader coverage.

**Employment Practices Liability**

Employment Practices Liability Insurance (“EPL”) is designed to cover a company, its directors and officers, as well employees for claims brought by past, present or prospective employees for claims alleging ***discrimination, harassment, wrongful termination*** or other employment-related torts/common law violations.

It also provides coverage for discrimination or sexual harassment by an insured (person or company) against a third party, such as customers, vendors or clients.

Coverage provided includes payment of reasonable and necessary defense costs, judgments, settlements, and awards, all subject to applicable policy retention, exclusions and other terms and conditions of the particular policy. This policy provides global coverage after a deductible.

 **Crime/Fidelity**

The primary purpose of a Crime Policy / Fidelity Bond is to protect the Insured entity (ies) from financial loss due to dishonest acts of employees. Coverage for certain types of acts of non-employees, such as theft of property located on the Insured’s premises or while in transit, loss due to forgery or alteration of negotiable instruments (e.g. checks) or loss due to electronic funds transfer fraud can be included under such policies**.** This policy provides global coverage after a deductible.

**Fiduciary Liability**

Protect the interests of benefit plan participants and beneficiaries. Enforce benefit plan obligations – fiduciary obligations**.**  It provides global coverage after a deductible

**Other Property Insurance – Ocean Cargo**

Our Ocean Cargo policy provides insurance coverage for loss or damage to any goods or equipment, owned by the Samsonite or in which Samsonite has an insurable interest and at some time in the transporting process is handled by an ocean cargo vessel. Coverage includes aircraft and inland freight to destination (rail or truck). We have an ocean cargo policy with FM Global. Currently Europe, US, Canada and Australia are participating in this coverage. Countries covered under both the FM property and cargo policies have seamless coverage of loss earnings from point of manufacturing to the end customer.

**Claims Handling**

The existence of insurance contracts should have no impact on the outcome of how loss/claims are being settled between parties.

The following steps should be taken when an incident occurs resulting in an injury, loss or damage to property or a third party notification of a potential claim.

Injury to a worker or a non Samsonite employee – seek medical attention immediately. Get the necessary information (who, what, where & when) to complete an accident report (including witness information). This includes looking at the facts of the third party loss to determine if such facts support the liability of Samsonite being triggered. As soon as practicable, file the first report of incident and notify appropriate individuals in the organization as dictated by the materiality of the potential claim...

Property damage or loss – make every effort to mitigate the loss. Under most policies we have a “duty” to take steps to mitigate the loss. Get the necessary information to complete a loss claim report (including photos).

Third party notification or professional liability incident - gather all facts related to the notification and forwarded to either your legal department and or corporate treasury (risk management).

All claims or potential claims related to general liability, global property, or professional liability should be reported to corporate risk management as soon as practical. An e-mail outlining the claim (who, what where and when) should be sent to corporate treasury for evaluation and determination on whether the notice of a claim should be submitted to the insurance carrier. Regional CFO’s are responsible for notifying the Assistant Treasurer of all potential claims including (third party liability and property losses over $10,000 including any anticipated legal action involving Samsonite). Most of our insurance contracts (policies) require us to provide ***Notice*** to the insurance carrier of a potential claim in a timely manner in order to ensure coverage. On several occasions potential claims are reported to the insurance carrier “for record purposes only” in order to ensure that timely Notice has been provided to the carrier.

Please note: In the situation of a third party loss or injury Samsonite may not (immediately) accept any liability for the accident or loss.

Do not discuss the claim, admit liability or attempt to settle the claim. Do not admit fault under any circumstances.

.

**Certificates of Insurance**

 A *certificate of insurance* is a document used to provide evidence that an entity is insured. Samsonite is often requested by outside parties to provide evidence of Samsonite’s insurance in connection with business arrangements. Examples of situations where Samsonite may be required to provide evidence of insurance are as follows: owners of premises or equipment rented or leased to Samsonite (distribution center, warehouses, offices, and stores), certificate or evidence of insurance for our customers.

Procedure:

To provide evidence of the insurance's maintained by the Samsonite ask the requestor to put their insurance requirements in writing. Send a written request to the regional risk management coordinator including: full name and address of the requestor, reason that the certificate is required to (a copy of the insurance requirement section of the contract can be submitted for this purpose), mailing or other handling instructions, i.e., where the certificate should be sent. Who or whom should be the *Certificate Holder Named*.

**Vendors / Contractors Insurance Requirements**

Samsonite requires that suppliers, vendors and contractors providing goods and services to Samsonite have certain minimum amount of insurance coverage. These requirements vary depending on the nature and hazard of the work being performed.

Procedure: If you are administering a contract or purchase order, you should request that the contractor or vendor provide evidence that it meets minimum insurance requirements. The contractor or vendor will send you a certificate of insurance. If you wish assistance in reviewing the certificate, send a copy to the risk management individual in your regions with information on the nature of the work or service to be performed, and a copy of the contract or other document describing what insurances are required.

Samsonite at minimum requires the following amounts of insurance coverage for business activity. Other jurisdictions many vary depending upon local customs and practices.

Coverage on a Commercial General Liability Occurrence Coverage with minimum limits of liability of not less than $1,000,000 each occurrence, $1,000,000 products/completed operations aggregate, $1,000,000 for personal injury/advertising injury aggregate and $1,000,000 general aggregate, provided that vendor, contractor or Licensee maintains $5,000,000 in applicable umbrella coverage. Any exclusions or amendments to the policy form must be disclosed to Samsonite. All policies evidencing the insurance coverage required hereunder shall: (i) provide that such insurance shall not be canceled or converted to a “claims-made” format unless 30 days’ prior written notice has been given to Samsonite; (ii) be issued only by insurance companies which are qualified to do business in the operating jurisdiction and is rated A or better with a financial rating of VIII or better in the most recent A.M. Best’s Rating Guide; or equivalent for non US ratings and (iii) provide for 30 days’ notice to Samsonite of cancellation or non-renewal. Certificates of insurance, evidencing the coverages required hereunder, shall be provided to Samsonite prior to the Effective Date and endorsements shall be promptly delivered to Samsonite thereafter.

The insurance amounts outlined above are guidelines and increases or a decrease may be necessitated to reflect adequate coverage for the specific circumstances. Any deviation from the guidelines should be discussed with the Assistant Treasurer before they are made.

# Contracts and Agreements

The business activities of Samsonite are diverse, and several departments regularly enter into contracts or agreements with external parties for the delivery of goods.

Most contracts/agreements have clauses relating to Samsonite having appropriate insurance cover for the activity to be undertaken, and the provision of indemnity to the third party for any losses or claims that might arise against them as a result of the activity.

It is important that such clauses do not have requirement levels that exceed the coverage Samsonite has through its insurance policies, otherwise Samsonite is exposed. The risk is that the regional or country or corporate may need to fund any shortfall over the coverage provided should a claim arise. Please check with regional or corporate risk management regarding insurance requirements before agreeing to insurance terms and conditions.

In contracts negotiation performed by legal we can opt to limit the risk for Samsonite when entering into a contract with third parties. Every effort should be made to limit Samsonite’s liability and only assume reasonable transfer of risks.

#  Hiring of Consultants

Samsonite hires external consultants to undertake many special activities and projects related to Samsonite’s business.  These consultants or impendent contractors are not covered by any Samsonite insurance policy and it may be necessary for them to hold their own policies, in particular liability and professional indemnity.

The minimum amount of coverage for commercial general liability is $1 million, and for professional indemnity it is $1 million. For larger projects and contracts the level of coverage should be increased after assessment of the risk to Samsonite should an incident occur as a result of the consultant’s work?

Consultancy contracts or agreements should contain clauses relating to indemnity and insurance issues. Circumstance may arise where exemption from insurance requirements may be appropriate.

This information is provided for guidance only and it is the responsibility of the regional to have adequate procedures in place to protect Samsonite interests. .

|  |
| --- |
|  |
|  |
|  |
|  |

Notes: