PARTNERSHIP FOR COMMERCIAL INSURANCE & RISK MANAGEMENT

USI CARGOSAFE PROGRAM

THE USI ONE ADVANTAGE®

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USI CARGOSAFE PROGRAM

Executive Summary

USI's proprietary CargoSafe Program provides market leading coverage at competitive pricing, protecting your product throughout the supply chain

CONTROL + COST + COVERAGE

Why is it Important

- There are many inherent risks and hidden exposures when protecting your product throughout the supply chain, from raw materials to client delivery.
- Traditional programs require multiple policies and provide inadequate protection, resulting in coverage gaps.
- Protecting supply chain risk with a single policy provides seamless end-to-end coverage for your product.

Impact and Benefits to Clients

- Broader coverage, higher limits, and lower deductibles, protecting against uninsured losses up to policy limits of $50M.
- Ease of administration and greater control of claim payments.
- Program savings, typically **10 – 30% below traditional markets.**

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CargoSafe

Carving supply chain exposures out of traditional property and cargo policies and combining them under USI's CargoSafe Program provides seamless coverage of goods from supplier of raw materials to ultimate buyer

Supply Chain Risks	Traditional Program	CargoSafe Program
Raw Materials	Property policy	CargoSafe Policy
Work-in-Process	Property policy	
Finished Goods/ Inventory in Storage	Property policy	
Raw Material, Inventory, Product in Transit	Shipping Policies: Cargo Policy; Third-Party Shipper Policy	

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CargoSafe

CargoSafe provides program savings of 10 – 30% compared with traditional policies

Consolidation of traditional policies into single CargoSafe program: Resulting in reduced carrier administration/fixed costs

Access to marine market's competitive rates: Typically 10 – 25% below traditional property market with savings upwards of 75%+ for CAT-exposed risks

One of few remaining programs of its kind: Sheltering USI clients from volatility of open-market pricing and terms

Admitted domestic market: Eliminating surplus lines tax, as well as price volatility of London market – up to 9% in E&S tax

Elimination of Third-Party Shipper insurance costs: 2 – 5% of shipping costs

"No claims" bonus and profit-sharing opportunity

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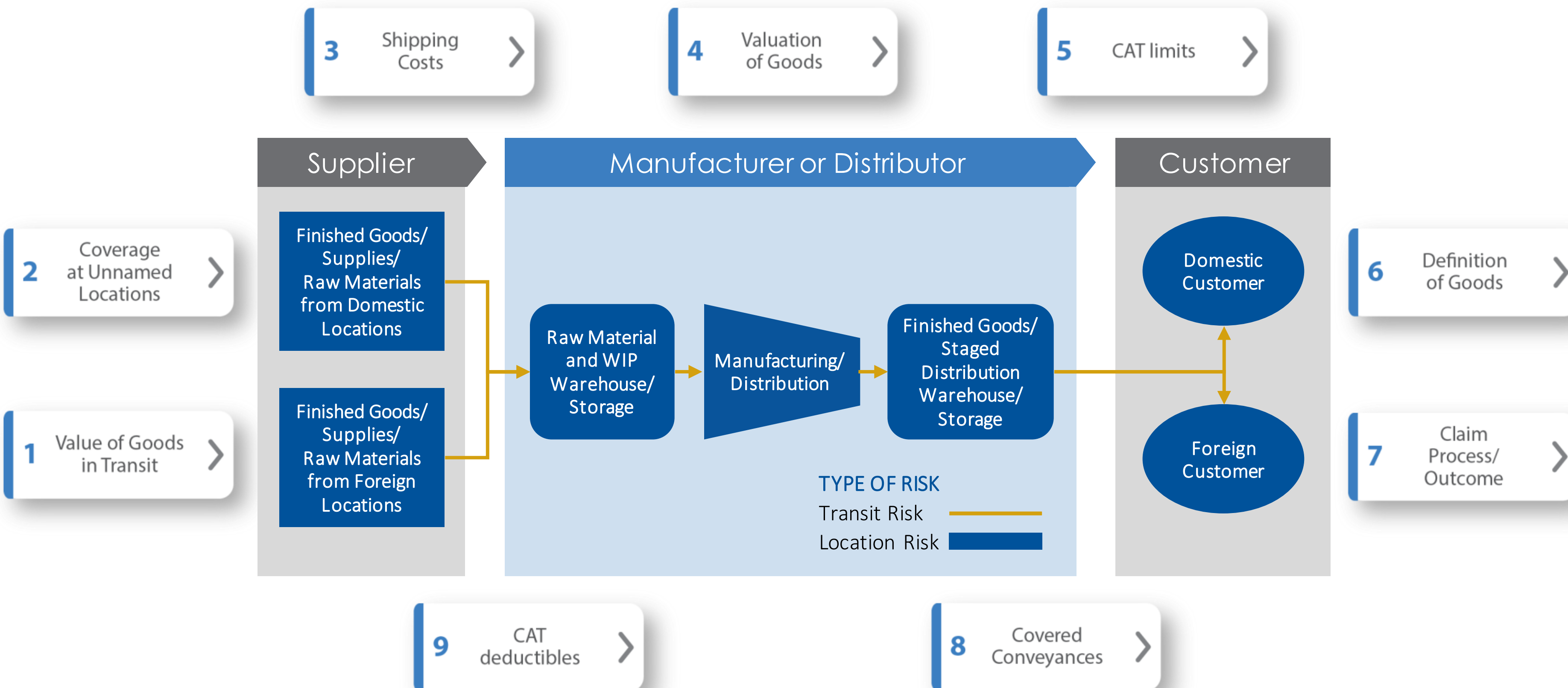
USI CargoSafe Program Highlights

Core Areas of Improvement: Broader Coverage | Limits | Increased or Eliminated Sublimits

CargoSafe Program Highlights	USI CargoSafe Program	Traditional Program: Property and 3rd Party Shipper Policy	Difference
Coverage Enhancements			
Value of goods in transit	Selling price	By the pound	Up to 70% of shipment value
Raw material at unnamed locations	Policy limit	Not covered	$50,000,000
Valuation of WIP and inventory	WIP: Replacement cost Inv: Selling price	WIP: Undefined terms Inv: Replacement cost	Cost of goods and margin protection up to $50,000,000
Definition of "goods"	Broadly defined to include "all goods"	Narrowly defined	$50,000,000
Claim process/outcome	Streamlines coverage and claim process	Conflicting coverage and claim provisions	$50,000,000
Covered conveyances	All conveyances covered	Exclude barges and air freight	Full shipment value, up to policy limit
CAT deductibles	Flat/fixed amount	% of inventory values	$550,000 impact: $600,000 (2% of values) minus $50,000 flat ded.
Shipping costs	Eliminates the need for third-party shipper insurance	Cost of third-party shipper insurance = 2% to 5% of shipping cost	$52,500 (3.5% X shipment valued at $1.5M)
Sublimits			
Inventory CAT limits:			
Earthquake	Policy limit	Sub-limit of $10,000,000, scheduled locations only	$40,000,000
Windstorm	Policy limit	Not covered	$50,000,000
Flood	Policy limit	Sublimit of $10,000,000	$40,000,000

Provides Seamless Coverage of Goods from Supplier of Raw Materials to Ultimate Buyer

Protecting your product throughout the supply chain



Next Steps

Information to conduct USI CargoSafe analysis

- Completed CargoSafe application
- Statement of values
- Copy of current Property and Transit Policies
- Annual amount paid for third-party shipping that includes insurance

Expands and Optimizes Core Coverages Provided by Standard Market

Value of Goods in Transit

Replaces and improves insurance purchased from third-party shippers, preventing an uncovered loss.

Standard Market Coverage

Insurance provided by third-party shippers is frequently based on weight or by-the-pound of the shipment, providing as little as 30% of shipment value in the event of a loss.

USI's Approach

Reimburses full selling price of the shipment in the event of a loss.

Financial Impact

Prevents an uncovered loss of up to 70% of the shipment value.

Coverages

Expands and Optimizes Core Coverages Provided by Standard Market

Coverage at Unnamed Locations

Protects the client from financial loss at unnamed locations.

Standard Market Coverage

Raw materials at unnamed locations, such as a temporary storage facility used during shipping, are typically excluded under traditional policies.

USI's Approach

Provides coverage for any loss, at replacement cost, up to full policy limits.

Financial Impact

Up to full policy limits of $50M.

Coverages

Expands and Optimizes Core Coverages Provided by Standard Market

Shipping Costs

Eliminates the cost of insurance from third-party shipper.

Standard Market Coverage

Insurance from a third-party shipper (TPS) typically costs 2% to 5% of shipping costs. They frequently use insurance as a profit center so you pay more than you should for subpar coverage.

USI's Approach

Eliminates the need to purchase coverage from TPS, reducing shipping charges and overall costs, while providing broader coverage.

Financial Impact

2 – 5% of shipping costs.

For example: A client paying 3.5% of shipment costs for a shipment valued at $1.5M would realize a **savings of $52,500**.

Coverages

Expands and Optimizes Core Coverages Provided by Standard Market

Valuation of Goods

Protects cost of goods and profits with proper valuation of Work-In-Process and Inventory.

Standard Market Coverage

- Valuation of Work-in-Process is typically based on unclear terms, resulting in potential coverage gaps.
- Goods in inventory/ storage are frequently valued at replacement cost.

USI's Approach

- Coverage is significantly improved with Work-In-Process losses paid at replacement cost.
- Inventory losses paid at Selling Price, protecting client's profits.

Financial Impact

- **Work-in-Process** – prevents an uncovered loss up to full policy limits of $50M.
- **Inventory** – protects client's profits by reimbursing full selling price value of goods.

For example: Under standard coverage, a client is reimbursed replacement cost of shipment, which in this case is valued at $200,000. Assuming a 20% margin, **CargoSafe will reimburse the full selling price** value of the shipment or $250,000 for a **financial impact of $50,000**.

Coverages

Expands and Optimizes Core Coverages Provided by Standard Market

CAT Limits

Provides broader protection of Inventory with more favorable terms and limits.

Standard Market Coverage

Provides limited CAT coverage for Inventory, by sublimiting catastrophic events, including Flood, Earthquake, and Windstorm, leaving clients exposed to an uncovered loss.

USI's Approach

Provides CAT coverage for Inventory up to full policy limits.

Financial Impact

Prevents an uncovered loss up to full policy limits of $50M.

For example: A USI client's property policy had $10M in CAT limits, which was inadequate for the client's risk. USI consolidated the client's program under CargoSafe, providing **full limits of $50M protecting client from an uncovered loss**.

Coverages

Expands and Optimizes Core Coverages Provided by Standard Market

Definition of Goods

Protects all Goods and/or Merchandise throughout the Supply chain.

Standard Market Coverage

Frequently restrict coverage by providing a narrow definition of Goods.

USI's Approach

Provides broader coverage by enhancing and expanding the definition of goods, including "Goods and/or Merchandise of every description."

Financial Impact

Eliminates potential coverage gaps, preventing an uncovered loss up to **policy limits of $50M**.

Coverages

Expands and Optimizes Core Coverages Provided by Standard Market

Claim Process/Outcome

Allows for ease of claim administration and greater control of claim outcome.

Ease of Administration:

Standard Market Coverage

Managing multiple policies results in conflicting coverage provisions and separate claim reporting requirements and settlements, as well as potential subrogation issues.

USI's Approach

Eliminates conflicting policy provisions and streamlines administration of program and claim process by consolidating supply chain exposures into one policy.

Financial Impact

Eliminates potential coverage gaps, prevents an uncovered loss up to full policy limits, and ensures timely resolution of claims.

Greater Control of Claim Outcome:

Standard Market Coverage

Purchasing insurance through a third-party shipper (TPS) gives **them** control of **your** goods in transit. In the event of a loss, claim payments can be significantly delayed and payouts less than adequate.

USI's Approach

Enables you to take control of your goods, coverage terms, carrier negotiations, and claim settlements.

Financial Impact

Prevents an uncovered loss up to shipment value.

Coverages

Expands and Optimizes Core Coverages Provided by Standard Market

Covered Conveyances

Protecting Goods in Transit.

Standard Market Coverage

Typically does not cover all conveyances. For example: may exclude barges and air freight.

USI's Approach

Provides coverage for any conveyance – by Land, Water (including barges,) and Air, up to full policy limits.

Financial Impact

Prevents an uncovered claim up to full shipment value, in the event of a loss in transit.

Coverages

Expands and Optimizes Core Coverages Provided by Standard Market

CAT Deductibles

Minimizing out-of-pocket costs.

Standard Market Coverage

Deductibles for catastrophic risks are traditionally a percentage of Inventory values at risk.

USI's Approach

CAT deductibles are improved with a flat, fixed amount.

Financial Impact

Provides broader coverage, reducing clients' out-of-pocket costs.

For example: Client's deductibles for catastrophic risks were 2% of values, with values of $30M ($600k). CargoSafe improved coverage with a flat CAT deductible of $50k per loss, resulting in a deductible reduction/gain of $550k ($600k - $50k).

Coverages