

# PRICE VS. VALUE:

Beware the hidden cost of "low cost" Insurance

	PICTURE THIS...	GLATFELTER PUBLIC ENTITIES	LOW COST INSURANCE
CASE SCENARIO 1	An insured water or wastewater entity releases water that is possibly contaminated and is required by law or regulatory authority to notify its users of a possible contamination. The insured spends \$7,000 to run public advertisements, notify their customers and meet with key commercial water users.	Glatfelter reimburses up to \$25,000 per policy period for printing, mailing and other expenses related to notification for water contamination. <b>There is no prior notification requirement or deductible.</b>	Low cost insurance may not provide any notification expense coverage at all. If so, <b>the insured would have to spend the \$7,000 expense out-of-pocket.</b>
CASE SCENARIO 2	The insured water entity has a supervisory control and data acquisition (SCADA) system that sustains a lightning strike and damages a majority of the system. The insured's new system includes upgrades of \$150,000 plus an additional \$10,000 to remove the undamaged portion of the older, outdated system.	GPE provides replacement cost coverage, up to the blanket limit, as well as ordinance and debris removal for a covered cause of loss, such as lightning, subject to their property deductible.	Low cost insurance may limit coverage to \$100,000 or less, due to the valuation method. In this case, <b>the insured would potentially be out-of-pocket up to \$60,000 for an inadequately insured loss.</b>
CASE SCENARIO 3	The insured water entity board approved expansion of a water system to a commercial development that subsequently caused flooding of an adjacent property.	GPE provides a \$1,000,000 occurrence limit for General Liability (GL) and a separate \$1,000,000 limit for Public Officials. Depending on the allegations, it is possible that both policies would respond and the respective limits would be available to protect the insured.	Low cost insurance may contain an anti-stacking endorsement, limiting coverage to one limit applicable under the policy. In this case, <b>the insured has a potentially uncovered claim of \$1,000,000.</b>
CASE SCENARIO 4	The insured water entity has a fire at a large location causing direct damages in the amount of \$500,000 and an additional \$200,000 for debris removal.	GPE provides debris removal coverage for up to 25% of the direct damage loss plus an additional \$100,000. In this scenario, the insured is covered with no money out-of-pocket except for their property deductible.	Low cost insurance may be limited to \$50,000 in addition to the 25% and <b>the insured may be out-of-pocket an additional \$25,000.</b>
CASE SCENARIO 5	The insured water test entity sustains damage to outdoor property (fencing and storage sheds) in the amount of \$125,000 from a cause of loss (windstorm) which is typically covered under property coverage.	GPE provides up to \$150,000 for all covered causes of loss, including windstorm.	Low cost insurance may only provide up to \$25,000 or \$100,000 and may be limited to fewer than 10 specific causes of loss. What if the loss is from a peril, like wind, that may not be covered? <b>The insured may be out-of-pocket for anything above the limit or even up to the entire \$125,000 if not covered at all.</b>

#### In all of these scenarios, ask yourself:

- How does the insured pay for these unexpected, uncovered expenses?
- Have you added the possibility of these types of scenarios in to the price of low cost insurance?
- With all the risk, why gamble with low cost insurance?

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