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To: Jeffrey Epstein <jeevacation@gmail.com>
Subject: thoughts after call Rich & I had yesterday re insurance
Date: Tue, 22 Apr 2014 13:03:09 +0000

Two main issues:

Structure of the policy: Blanket type policy we have now vs scheduled approach

Source of coverage: Current broker sourced stack of coverage vs single policy with AIG providing coverage

Initial conclusion: Simplistically, I would think one would want to couple up a scheduled policy with a broker sourced stack of policies and a blanket policy with a single policy approach. I say this because if you have a large claim for which you penetrate the top couple of layers of coverage and the item or items were not scheduled, it will likely be difficult to collect from lower layers in the stack of coverage with a blanket/unscheduled approach—exactly the situation where you want the insurer to ‘fight the fight’ for you. It would seem to me that in a situation where you have a broker sourced stack of insurance like we do, it would be preferable to take a scheduled approach. Interestingly, the AIG rep said that a scheduled approach is typically less expensive on a cost per \$000 basis than a blanket approach. If we want to contemplate staying with Jeffrey Haber with the stack of coverage he has built for our coverage, it would seem the first step should be to explore whether we may be able to more fully insure (meaning for full appraised value of art owned) for a premium similar to what we currently pay for the blanket. Qualifier—we do see some indication from the schedule of pricing we have on the various layers in the stack shows Jeffrey may have built the blanket coverage at scheduled type prices. Such an inquiry will be telling.

Also, we were told that some clients with blanket coverage buy loss limit coverage as a supplement to the blanket. Still working to understand cost /benefit of doing so – we will report back on this.

AIG cites “inconsistencies” across policies in our various layers of coverage and uses the “worldwide” coverage issue as an example. The policies in the top several layers of our coverage offer worldwide coverage, the lower layers provide coverage at the “primary” residence where the works regularly reside. The thought may be that only a portion of the art will travel worldwide and then is usually headed for a museum which will have a policy providing the necessary coverage wherever the art goes, with the balance of the art sufficiently insured at their primary residences. We need to explore with Haber whether our this is actually by design or just inconsistent by neglect.

Important additional issue of how best to insure art owned by the Trusts:

AIG is adamant they would price as one risk even if they write individual policies since they see this as an administrative accommodation and the art across the policies would be in common locations. Not a tough job for AIG to come back with a price for ‘Trust only’ coverage—we have requested they do so. Need to push Haber on this pricing issue. It may be that he cannot treat as a single risk with the stack structure.

Though it is hard to seriously consider the AIG proposal without a more firm pricing indication for the coverage we need, I believe we have to be careful not to disrupt pricing in the market with their effort to give us an estimate—the AIG rep indicated they are seeing signs the current broker knows we are in discussions elsewhere. Hopefully this is not the case and what they are seeing relates to the renewal process but I suggested it would be more efficient for them to supply us with a structure chart clearly summarizing the pricing differentials for the various structure options before proceeding further. We should have this in the next day or so.

Other issues—should we have terrorism coverage?

Clearly, smaller issues on residential and jewelry policies like deductibles and per item limits need to be cleaned up.

AIG cites opportunity for 30% savings on residential coverage policies. Since we need to increase/improve coverage on the jewelry policy I would think best case is better coverage at same premium-exploring this week.

If you are ok with it, Rich & I will proceed to meet with Haber within the next day or two.