

# INSURANCE INFORMATION ALERT

TO: ALL CFSA MEMBER FAIRS

FROM: Charlie Mitchell, Risk Manager

SUBJECT: CFSA GENERAL LIABILITY OPERATING MEMO #03-01;  
MODIFICATIONS TO INDEMNITY LANGUAGE AND NON-  
COMPLIANCE POLICY

DATE: May 8, 2003

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The enclosed CFSA General Liability Program Operating Memorandum #03-01 becomes effective June 1, 2003, and applies to all fairs participating in CFSA's General Liability Program. This new Operating memorandum applies to the following new policies and procedures:

- Approval of any modification to standard indemnity language in a fair contract or lease agreement form; and
- A new Policy for non-compliance with CFSA Operating Memoranda.

Compliance with "risk transfer" requirements by participating fairs is extremely important in keeping CFSA claims costs and liability rates down. When a fair consistently obtains CFSA's review and approval of any modification to standard indemnity language in fair contracts, there is an increase in the number of claims which may be appropriately tendered. In the past, CFSA has strongly encouraged the fairs to obtain CFSA's review of modifications proposed by fair contractors. CFSA staff is available on a rapid turnaround basis to assist fairs with indemnity language negotiations. Unfortunately, CFSA still sees claims where unapproved indemnity modifications make it impossible to tender a claim. Under Section 1 of the new Operating Memo #03-01, CFSA's approval of indemnity modifications is made a formal operating requirement along with the minimum liability limits and additional insured language requirements.

**NOTE: Please file this ALERT under General Liability Section 3, General Liability Memorandum, in your Claim & Loss Reporting Guide - 3<sup>rd</sup> Edition (The CFSA "Red Book").**

In 2001, the CFSA Board of Directors considered a policy setting forth consequences to a participating fair where CFSA could not tender a liability claim due to non-compliance with Operating Memoranda requirements. After input from the Risk Advisory Committee and further discussion, the Board decided to give the fairs additional time to attend CFSA training sessions and to become more familiar with the requirements.

Now that two years have passed, the CFSA Board has again considered the non-compliance issue and adopted the non-compliance policy as stated in Section 2 of the new Operating Memorandum #03-01. Section 2 is based on the prior industry consensus for a graduated approach for non-compliance, first involving guidance from CFSA and then involving higher levels of consequences where there is a reoccurring failure to comply. Input on this policy was provided by the Risk Advisory Committee during its development.

Please remember, if you experience difficulty with your vendors in obtaining the required minimum liability limits or in regards to changes in standard indemnity language, call CFSA. We are here to assist you and your fair facility users when an insurance coverage issue arises. Call me at (916) 263-6150 or Lianne Lewellen, CFSA's Risk Analyst, at (916) 263-6145.

Thank you for your continued cooperation. This is your pooled program and whatever we can do together to keep losses down, will continue to keep your fees down.

Enclosure

cc Division of Fairs & Expositions

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