

***USJI-USJF Disclosure Statement of Facts
February 24, 2003***

Dear Members of the American Judo Family;

We would like to take this opportunity to provide detailed information, probably at too great a length, so there can be an understanding of the insurance issues. The Law and Legislation Committees of USA Judo and the United States Judo Federation, in a combined effort, provided us with the following "USJI/USJF Disclosure of FACTS" surrounding the judo insurance controversy for distribution to the American Judo Community.

We have two kinds of insurance; one is liability insurance that protects our instructors, coaches, referees, and tournament directors if they are sued, the other is sports accident insurance that provides medical benefits for injuries to athletes who are injured in tournaments or regular practices.

Many of the programs involved in our sport are directed at avoiding injuries and lawsuits through what is called loss control measures. These loss control measures include, in part, programs such as coach and teacher certification, referee certification, and rank structures. The USJI and USJF have worked hard over the years to keep claims down so affordable liability and sports accident insurance is available. Some clubs in other sports pay \$1,500.00 per year, per club, for liability insurance, or have individual membership fees as high as \$250.00 per year.

The USJI and USJF wish to advise the judo community of the reasons for the problems with the joint sanctioning of events ever mindful of the inconvenience experienced by some tournament directors and participants.

The current controversy concerning joint sanctioning of Judo tournaments must be understood from a historical perspective.

The joint membership and insurance program started on September 1 of 1995. It was initially envisioned as a program in which all three organizations would participate, but the USJA did not participate in the program. In the past, USJI and USJF have had requests from USJA members about their ability to enter and participate in the program, but the USJI and USJF never received any follow-through and the data necessary from the USJA.

In September 1997, the USJA insurance policies were not renewed in a timely fashion, i.e., by September 1, 1997. The USJI and the USJF were not informed by the USJA that they were having financial difficulties. The USJA insurance agent informed us verbally and in writing in approximately mid-September that as of September 1, the USJA did not pay for the renewal of their

liability or excess sports accident medical coverage. The liability policy underwriting firm did not receive payment to bind coverage by September 19, and coverage was terminated effective September 1, 1997.

The USJI/USJF liability policy has a warranty provision which mandates sports accident insurance coverage for all participants in sanctioned events. This requires every participant in a tournament to be a member with insurance. Having a single participant in a tournament without sports accident insurance voids liability coverage for the entire event. In 1997 this was a very precarious and unacceptable situation for the event organizers as well as the participants, and the USJI and USJF. On September 24, 1997, the USJA was suspended from the joint sanctioning agreement. After a couple of days, fortunately, the USJA's liability insurer allowed the USJA to bind coverage and backdated coverage to September 1, 1997, with the provision that USJA guaranteed that there would be no claim between September 1, 1997 and the date that the policy was then bound. The medical coverage was also bound. After all of this, the USJA was reinstated in the joint sanctioning agreement. The USJA, through their representative to the insurance committee, made an announcement and a public apology at the USJI Board of Directors meeting in Colorado Spring, Colorado in October of 1997 for not protecting their members by renewing their policies in a timely manner, and for jeopardizing USJA, USJI, and USJF members because of this insurance crisis. At that meeting, the USJA representative acknowledged that the USJI and USJF were acting as responsible fiduciaries for their members and organizations, and were not acting or conspiring to cause USJA and its members harm. This was an appropriate announcement and the public apology was well received. It helped clear the air for those willing to listen and consider the fact relating to the 1997 incident.

This, however, was not the only problem that has existed between the USJA and the USJI, JF, and their insurers. There was another incident when the USJA insurance policies were written as excess to the coverages provided by USJI and/or the USJF. This means that the USJA's insurance would not make any benefit payments until the USJI and/or USJF policy limit was exceeded.

This major change was noticed in review of the policies, which was mandated by the bylaws of USJI. The policies were therefore changed so that the USJA would share coverage for any claim, if there was USJI and/or USJF coverage in place. The coverages, therefore, would be coordinated and distributed evenly among the participating policies. The endorsements that existed at that time was an attempt by the USJA to shift the exposure from the USJAs' policies to the USJI and/or the USJF policies, using the USJF and USJI policies as the first line of defense. The USJA would have been shielded from most claims and it would have improved their loss run ratios for any years in question. It hopefully would have lowered their premium in subsequent years. This, however, was not acceptable to our insurer and required immediate

correction. In the current insurance market, any attempt at shifting losses or the risk of loss is also not acceptable to our insurer. This was a problem that was never brought forth and explained to the general judo public.

In the not too recent past, USJA and USJI, and USJF were involved in a lawsuit that required mutual cooperation and the payment of legal expenses. Despite having an agreement to share in the legal cost of the lawsuit, the USJA decided that they were no longer going to pay their 1/3 of the legal fees and expenses. The USJI and USJF were left to pay for the remainder of the defense cost which was considered to be a breach of the agreement by the USJI and JF.

There were additional problems. In November 2001, issues arose as to whether or not the USJA had paid its premiums for the policy that was supposed to commence September 1 of 2001. This was just about the same time USJA President, Mr. Bregman was publicly suggesting in e-mails that the USJA may be facing bankruptcy unless there was a large cash infusion obtained by donations. As a result of concerns relating to USJA's ability to pay its premiums, USJI made inquiries to the JA's general liability carrier and their sports accident provider. We were advised by both carriers that the USJA was in arrears from September 1, on both policies. For whatever reason, the USJA was not making their insurance premium payments in a timely manner.

As in 1997, USJI and USJF did not have any communication from the USJA informing the USJI and JF of any problems or difficulties that the JA may be experiencing. Due to the late payments, the USJA's general liability insurer had been issuing notice of cancellation, but had not cancelled the USJA policy. Due to the late payment situation, the USJA's general liability insurer was not willing to issue the thirty (30) days guarantee of prior notice of cancellation, which was the understanding between the USJI and JF and the USJA as a result of the 1997 incident. The insurance broker at that time indicated that he would provide a notice that they would "endeavor" to provide ten (10) day notice. To the best of the USJI/JF's knowledge, USJA brought its payment current on its insurance policies for 2001 approximately three (3) months after the initial renewal premium was due.

As in 1997, these problems jeopardized insurance coverage for members of the USJI and USJF due to the USJA's insurance problems. Again, the joint sanctioning agreement was going to be suspended in reaction to these delinquencies, but luckily, the USJA brought their premium payments current.

It is important to note that at the time that the payments for both policies were in arrears for almost three (3) months, the USJI and JF did not receive notice of cancellation as was required.

Although this was another problem created by the USJA, to our knowledge, there was no public announcement or apology or acceptance of

responsibility for the non-action by the USJA. The USJI and USJF were required to take action to protect their respective members.

Rather than accepting responsibility for allowing the situation to repeat itself, the USJA remained silent. The USJI and the USJF recognize that it was our mistake not to make each of these incidents clear to everyone at the time that they occurred. It was thought that the resolution of the problem would be helpful to judo and the USJA by simply putting the matter to rest without comment.

The decision to correct the situations without notice to the general community is now regretted in that it creates a great deal of conflict over the present situation which should be viewed in an appropriate light.

This was still not the end of the ongoing saga concerning problems with the USJA and their insurance coverage. The insurance subcommittee of the USJI is designed so as there is an exchange of policy information to prevent lapses in coverage, gaps in coverage, or failures in coverage for both club instructors and tournament directors.

USJI and USJF were surprised and dismayed to discover an endorsement in USJA's 9-1-2001 - 8-31-2002 general liability policy which clearly stated that there was no tournament coverage. Upon examination of the policy, the USJI and USJF could not find anything in the policy that would negate or reverse this endorsement. To the best of USJI/JF's knowledge, the USJA's general liability for 2001 - 2002 did not cover tournaments without a box being checked and an additional premium being paid to the insurer for each event.

When the USJF executive director spoke with Katrina Davis at the USJA she did not know anything about the endorsement and did not know of the payment of any extra premium for the liability policy. Furthermore, no additional monies were collected or paid to the insurance company for sanctioned events. Thus, it seems that no additional riders or endorsements to the policy were purchased for the 2001-02 policy to cover the events that were sanctioned by the USJA.

Just recently the insurer for the USJA now says that the written endorsements were in error and are being corrected. There still remains a problem in that the USJA says that they insured and co-sanctioned events for a fewer number of the tournaments than the USJI and JF say were co-sanctioned. The USJI has requested that the insurer for the USJA provide certificates of insurance for each event and the documents to support which events were sanctioned. The USJA has not complied with this request as of this date. USJI and USJF are concerned that this disparity in number of events co-sanctioned means that the USJI/JF is providing the only insurance for some USJA events which is not allowed by our insurance company.

Then came the issues concerning the liability policy problems that arose in December of 2002. The bylaws of USJI require the USJI, the USJA, and the USJF to exchange their insurance policies after they are renewed on September 1 of each year.

A request was made in August of 2002, for the USJA to provide a copy of their new policies. Another request was made on September 12. A verbal request was made to Mr. Jesse Jones at the insurance sub-committee meeting of the USJI on October 11. Another letter dated November 18, requested copies of the USJA's general liability policy, but no policy was provided. The failure of the USJA to provide the insurance policy in light of the previous problems with insurance coverage caused the USJI and JF great concern. The USJF telephoned the USJA national office on December 6 and verbally requested that Ms. Davis forward a copy of their policy again, with no result. A subsequent letter was forwarded on December 15, again, with no results. The USJF notified the USJA on December 24 of the pending decision to terminate the joint sanctioning program as a result of the failure to provide the requested policy. The USJI in a letter of January 10, after a vote of the USJI Executive Committee advised the USJA of the cancellation of the joint sanctioning policy and requested additional information as suggested by the USJI/JF insurance underwriter before there was any possible reinstatement of the program. Despite numerous requests and over four (4) months of delay, the USJA's general liability policy was not provided. It was not until January 17 that the USJA began to provide information that was requested and/or required months earlier. This was after the joint sanctioning program was most recently terminated.

The ball was clearly in the USJA's court. The fact that the USJA provided information by means of the certificate of insurance does not provide the information in sufficient detail to evaluate the policy coverages. By history there were serious questions concerning the USJA's coverage that existed in the past. In addition, the limits of coverage, as shown on the certificate of insurance, do not define what is and what is not covered. It does not provide sufficient information to allow for a prudent evaluation as to the sufficiency of the insurance. The initial representation made on the certificate of insurance was that the USJA had an aggregate policy limit of \$3,000,000. If the USJA has over 500 clubs and over 100 tournaments each year, then there is a serious question as to whether or not \$3,000,000 worth of coverage is adequate. It is not adequate according to the USOC requirements

The limitations of coverage were presented to the USOC by the USJA insurance underwriter. In January of 2003, the insurance underwriter was advised that the \$3,000,000 in aggregate coverage was not adequate in accordance with the USOC guidelines. To USJI/JF's knowledge, the insurance underwriter for the USJA is in the process of increasing their coverage to a policy

aggregate limit of \$5,000,000. It is important to note that the USJI does not have an aggregate limit on its policy which means that it has an unlimited aggregate of claims in a year, whereas, USJA would only have up to \$5,000,000. This is being addressed only to point out that the USJA's representation that their coverage exceeds that of the USJI and USJF and is patently false.

These issues of insurance are quite complex at times. The need for the actual insurance policy and the review by the law and legislation committees, and insurance agents for each organization is essential. This is a requirement of the open tournament/joint sanctioning program and the JI bylaws. After five requests and clear warnings, the USJA did not produce the policy as requested. This and only this has brought about the current situation. Interestingly enough, now that the joint sanctioning agreement has been dissolved, suddenly the USJA has a keen interest in remedying the situation and seems to blame everyone else for their own administrative failures, and lack of cooperation. The USJA has not addressed the issues with candor. The time for the USJI and the USJF to act as an intermediary between USJA and the insurance companies has passed. Our new insurer is much tougher and as a result of the developments of September 11, has demanded not only a significant increase in premiums, but also detailed accounting measures relative to the number of clubs insured, the number of events insured, and the number of participants in events.

With this requirement the USJI and USJF are now placed in a position where they can no longer ignore the USJA and its leadership's failures, lack of cooperation, and non-production of essential information. The USJA and its leadership has failed its members and have lost the trust of the USJI and USJF. The joint sanctioning and open tournament program was designed to benefit the members of the judo community and its termination was due to the failure of the USJA to comply with written requirements, and numerous written and verbal requests. Once again, rather than accepting responsibility, the USJA is attempting to shift the blame to others. The current situation cannot be viewed as an isolated incident. It appears to be an ongoing and unresolvable problem since the USJA continues to avoid addressing issues and to totally cooperate by providing information which still remains outstanding as of the date of this correspondence. The USJA leadership continues to issue denials and adds "spin" to issues. The USJI and USJF cannot continually monitor the USJA's administrative failures, their financial status, and their fluctuating insurance coverage. The USJA and its various members are not entitled to the continuation of the joint sanctioning program and the open tournament policy. This was an agreement that existed for years in order to try and benefit the judo community, but it is the actions of the JA and solely the actions of the JA that has brought into serious question whether this can continue to be a viable benefit to the members of all three organizations.

The USJI and JF proposed a temporary measure so that individuals at

the local level would continue to enjoy some of the benefits of open tournaments while the organizations attempt to negotiate a joint sanctioning agreement that could be enforced and which could avoid some of the numerous problems that have been encountered in the past. The USJA once again, refused to cooperate by accurately informing the judo community as requested by the USJI and JF. The USJA wanted a document that served their purposes. This, once again, calls in to question the USJA's cooperation, and whether or not continuation of a program based on cooperation and the open and frequent exchange of information is still viable.

The USJI and USJF are actively seeking to at least provide open tournaments except for points events as previously excluded by the "1984 resolution". This is different from joint sanctioning. The USJI and JF are awaiting a certificate of insurance from the USJA guaranteeing at least thirty (30) days notice prior to cancellation for the sports accident policy. Upon receipt, the respective boards will take action.

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