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New Jersey

Congress extends terrorism insurance availability for seven more years

The Terrorism Risk Insurance Program Reauthorization Act of 2007 extends the federal reinsurance backstop to insurers for seven more years, which means that terrorism insurance will continue to be available to commercial entities. In addition, there no longer will be a distinction between foreign-based terrorism and domestic-based terrorism. Both must be offered to policyholders under the terms of the law.

Pricing problems. You may have wondered why the extension of this federal program is so important to the availability of terrorism insurance. Insurance companies are in the unique position of selling a product for which the cost is unknown at the time of sale. Depending on the risks insured, it may be years before the ultimate cost of a policy is determined. For this reason, insurers look for risks that can be priced in advance with sufficient information available for making a judgment about the cost.

Frequency issue. Generally, an accurate prediction of losses (i.e., cost) requires a large number of homogenous units of exposure. In fact, there is a mathematical theorem expressing the idea that the greater the number of exposure units, the better the predictability of losses for the group. Fortunately for our nation, but complicating the job of insurance actuaries, terrorism events do not lend themselves to this kind of prediction. We have not had a terrorism event in the

United States since Sept. 11, 2001; not exactly a large number of exposure units to work with.

Catastrophe issue. Frequency is just one part of the problem with pricing terrorism insurance. The other is the loss potential,



which will no doubt be catastrophic; it's just a matter of how catastrophic. The cost of some

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Hurricane safety and preparation for your business and employees

It is impossible to know for certain when a natural disaster, such as a hurricane, is going to strike. When it does, the ability of your business to weather the storm and quickly resume normal operations may depend on the measures you take today.

The best time to think about safety and preparation is before hurricane season begins. The Atlantic hurricane season will begin soon. You still have time to prepare. If you aren't sure whether your business is at risk for loss caused by natural disasters, check with your local building official, city engineer or planning and zoning administrator. They can tell you whether you are in an area where

- Create an emergency kit in case you or your employees are trapped in the building. Include a few days' supply of drinking water, nonperishable food, first aid supplies, a portable radio with extra batteries and battery-operated lanterns and flashlights also with extra batteries.
- Stay tuned to weather and news reports for updates on the path of the hurricane. And, obey evacuation orders from local authorities.

Also important to consider is how to protect your business. While not a comprehensive list, the following ideas can help get

hurricanes, floods, earthquakes, wildfires or tornadoes are likely to occur. Also, they usually can tell you how to protect your business and property from the different hazards.

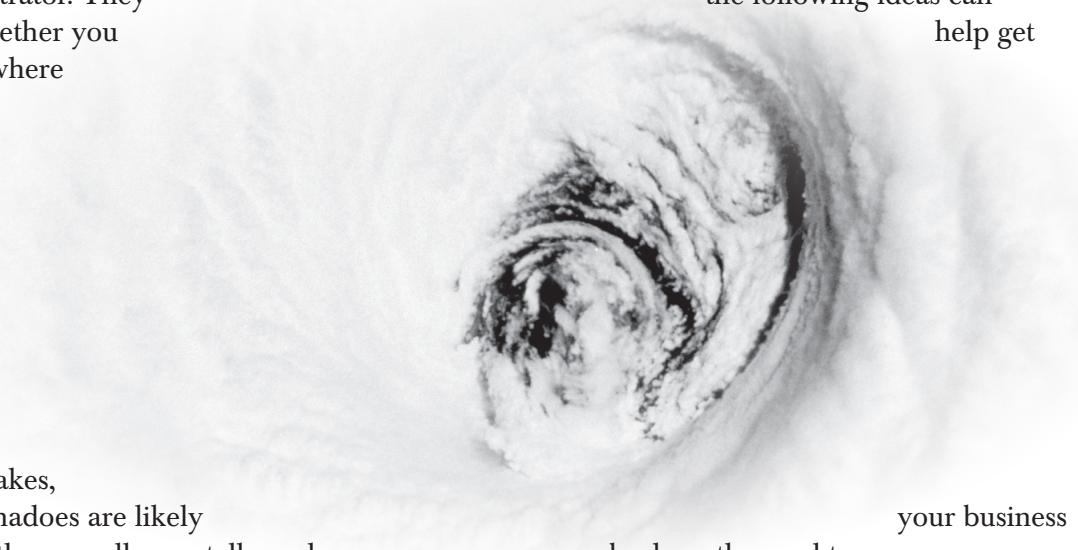
Everyone knows hurricanes can cause catastrophic damages to coastlines; but, did you know they also can cause damage several hundred miles inland? Winds can exceed 155 miles per hour. Hurricanes and tropical storms also can spawn tornadoes and storm surges causing extensive damage from the heavy winds and rainfall.

Here are some suggestions on how to keep your employees as safe as possible:

- Create a communication plan with your employees, including pre-arranged meeting points in case of phone outages.

your business back on the road to recovery:

- Photograph or videotape your building, inside and outside, before a hurricane. Decide what records you will need.
- Gather important papers: employee contact list; leases; insurance policies; key customer lists; supplier/vendor lists; and inventory lists. Keep these records off premises.
- Make backup copies of all your computer records and store them in a secure, separate location.
- Become familiar with your community's disaster preparedness plans and develop a plan for your business. Make sure all your employees are familiar with its procedures.



Do you know what to expect when it comes to insurance?

Coverage that suits your business. A policy that gives you choices. Service that consistently gets high marks. And, no surprises when it comes to reporting a claim. At our agency, when it comes to protecting your business and your assets, we offer coverage beyond your expectations.

Truly personalized service means that every client has the benefit of our extensive experience in matching clients' needs with their resource allocation and preferences.



Simply stated, what matters most to one client may not matter at all to another. We have the contacts and the know-how to present only the best options to our clients.

As your professional, independent insurance agent, we believe a major percentage of the insurance buying public values the knowledge and service in protecting their businesses.

We encourage you to contact us for any insurance needs or concerns. We always are here to help. ■

Considering flood insurance?

Just like your home, your business is vulnerable to damage by flood. And just like your homeowners insurance policy, commercial property insurance excludes costs resulting from flooding. By acting now and obtaining flood insurance, you will protect your business in the event of a disaster.

Flooding is common and costly

Flooding is America's most common natural disaster and causes more than \$2 billion in property damages each year. The average flood insurance claim can run almost \$27,000; just two inches of water can cause more than \$7,000 worth of damage to walls, carpeting and business equipment.

Floods happen everywhere

Think you're safe if your business is far away from any coastline or river? Even if you are not located in a high-risk area, you still are not protected from storms, melting snow, hurricanes and dam or levee failure. In fact, one-out-of-

every-four flood claims comes from areas that are not considered flood risks.

A cost well worth it for peace of mind

Adding flood coverage to your insurance portfolio is typically a small expense, depending on your area's flood risk. Nonresidential property can be covered up to \$500,000 for the actual building and \$500,000 for contents.

Where can I get coverage?

More than 200 insurance companies nationwide participate in the Federal Emergency Management Agency's National Flood Insurance Program. The NFIP offers a special flood policy backed by the local government, with cooperation from local communities and private insurance companies.

Contact our office today for more information about flood coverage. There typically is a 30-day waiting period before the flood coverage takes effect. We can help you decide on the right amount of protection for your business. ■

Terrorism (continued from page 1)

terrorism events could severely test the capital of the entire insurance industry!

Consequently, these pricing problems make insurers reluctant to insure terrorism in the absence of adequate reinsurance to spread the risk. The federal program provides the financial backup insurers need to offer this coverage to policyholders like you.

Standard Fire Policy law. New Jersey legislators enacted changes to the Standard Fire Policy law effective Jan. 13, 2008, that may change the terrorism coverage options available to you if your property insurance premium exceeds \$10,000. The New Jersey Standard Fire Policy law requires insurance companies to provide fire insurance with provisions no less favorable than those stated in the law. These benchmark provisions do not allow for fire damage to be excluded when caused by terrorism.

Need to report a claim? The clock is ticking

Did you know that if you don't report a claim to your insurance carrier in a timely manner you could jeopardize your coverage? Occasionally, an insurance company can deny paying a claim if it isn't reported within a pre-determined period of time.

If something happens that causes an interruption of business—contact us immediately, and the police if necessary. We'll give you the guidance you need to make sure you get the benefits you deserve.

Review your insurance policy to make sure you have the proper coverage. Be sure you understand all

Consequently, ever since the Terrorism Risk Insurance Act was enacted in 2002, a property insurance policyholder has not had the option to exclude coverage for terrorism resulting in fire, even when the TRIA coverage option has been rejected. The new law (P.L.2007, c.324) exempts insurers from the Standard Fire Policy law when the premium exceeds \$10,000, which means insurance companies can offer the policyholder an option to exclude fire damage caused by terrorism. Accepting this option should, of course, result in a reduction of premium.

Informed choice. We hope you will evaluate your need for terrorism insurance carefully when you make your selection to accept or reject the offer on your policies. We are happy to answer any questions you may have about this coverage. Thanks to Congress, you will continue to have a choice. ■

that is required from you by your insurance company when reporting a claim.

Take a detailed inventory of the damages, with photos if possible. If you need to make temporary repairs to your business, keep all your receipts. Don't throw anything away until it has been inspected by a claims adjuster.

If you have any questions, call us. We'll help you take all the necessary steps to make sure your claim is reported accurately and quickly. ■

Business auto “step-down” insurance dilemma solved

Recent legislation has resolved a thorny problem for businesses with auto insurance policies. While you may know about the problem, you may not have heard it now has been fixed.

Prior to enactment of a new law effective Sept. 10, 2007, some business auto policies contained so-called “step-down” provisions. These clauses prevented an injured employee from accessing the employer's full limits for uninsured/underinsured motorist coverage to the extent that these limits exceeded those available on the employee's own personal auto policy. To avoid this unequal treatment of employees, employers would need to add employees, by name, to their business auto policies. The catch: Such additions were not permitted by most insurance carriers.

Thanks to the new legislation, these provisions now have been outlawed. As a member of the Professional Insurance Agents of New Jersey Inc., our agency is proud to have played a part in getting rid of these “step-down” clauses. PIANJ worked to eliminate the uneven treatment of employees, while retaining the employer's control over the limits purchased on the policy.

While “step-down” clauses no longer are a problem, coverage questions still do arise regarding employees who drive company cars. This is especially true of people who use company-owned cars as their only vehicle. If you have any questions regarding auto insurance coverage for these individuals and for the business itself, please call our office. ■