

Risk Monitor



The 2006 Hurricane Season Is Predicted to Be Intense – Check Your Insurance Coverages Before It's Too Late

Last year's hurricane season should be a powerful reminder for homeowners of the need to purchase comprehensive insurance coverage before the first hurricane strikes. As a result of Hurricane Katrina, nearly \$57.6 billion in claims were filed last year making it the costliest year by far for the insurance industry. Even still, studies show that many at-risk homeowners still do not carry sufficient insurance coverage.

The official Atlantic hurricane season runs June 1st through November 30th. Once a storm is within range of land it is too late to change or add coverage. Therefore, it is imperative that homeowners review their insurance policies now.

Make sure your homeowners' policy reflects your needs in the following areas related to hurricane coverage:

Hurricane Deductible - Multiple states have implemented separate deductibles for hurricanes based on a percentage of the home's insured value. In Florida, these deductibles are available in two, five and now ten percent options. According to new Florida legislation, a homeowner is responsible for just one deductible in the event of multiple claims caused by multiple hurricanes.

Note that wind damage caused by non-hurricane storms is subject to your policy's general deductible not the hurricane deductible.

Flood Insurance - Flood damage is not covered under a standard homeowners' policy, but flood insurance is essential in high risk areas.

Replacement Cost vs. Actual Cash Value - Replacement Cost policies cover the amount needed to replace or repair a home without a deduction for depreciation. These policies gen-

erally cost about 10 percent more, but they provide much more comprehensive coverage than Actual Cash Value policies.



Guaranteed or Extended Replacement Cost - Provides additional coverage if widespread damage inflates the cost of building materials and labor.

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Welcome to the Elliot Whittier Insurance Newsletter!

It is with great satisfaction that we bring this newsletter to you. In this issue and in coming months, we will discuss pertinent risk management topics which may affect your organization. We sincerely hope that you will find this newsletter informative and please do not hesitate to contact us should you have any questions or needs.



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Covered Against Loss for Your Business' Leased Equipment?

Guarding against technological obsolescence, enhancing cash flow flexibility and the convenience of a range of services leasing companies provide are just a few of the reasons why a reported 80 percent of all United States businesses have leased equipment at one time or another. While leasing has become a widespread business practice, many companies never realize that they fall within an area of underinsured coverage.

Typically an equipment lease makes the lessee responsible for the leased property while it is under their control and generally requires that the lessee carry insurance on the leased goods. Most commercial property insurance policies will cover such equipment if it is contained and used inside. A common area of underinsured exposure occurs with the discrepancy between the compensation the leasing company requires if the property is destroyed and what the insurance company will reimburse.

Normally equipment leases require the lessee to replace the damaged equipment or pay off the balance of the lease. When it comes to the Personal Property of Others, most standard commercial property insurance policies pay out just Actual Cash Value, or the new equipment cost minus depreciation. The lessee would then be responsible for the difference between these two amounts.

For companies that rely heavily on expensive leased equipment, this exposure could prove costly if they suffer a widespread loss. Therefore any potential lessee should discuss this issue with their insurance agent in the context of their specific policy and lease agreement.

One way to cover this area of exposure is to add an endorsement to your commercial policy to extend Replacement Cost



Coverage to the leased equipment. Depending on the amount and type of equipment you have, however, it may be more cost-effective to self-insure the difference between the Replacement Cost and the Actual Cash Value.

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Inflation Guard - Automatically adjusts policy limits to reflect changes in construction costs so you do not have to increase your limits each year.

Building Code Upgrades - If your home is severely damaged, it will need to be rebuilt to comply with current building code standards that could add increased building costs. Law and ordinance coverage ensures these extra costs are covered.

Additional Living Expenses - Covers the costs of living elsewhere while your home is being rebuilt or repaired.

To protect your assets in the event of a hurricane, also:

- Inventory, photograph or video tape all household items. Keep receipts, inventory lists, copies of your insurance policy and insurance company contacts in a safe place that

can be accessed in the event of a storm.

- To minimize losses, take steps to protect your property when a hurricane is imminent, such as covering your windows with shutters, siding or plywood.
- Keep materials such as plywood and plastic on hand in case you need to make temporary repairs after a storm. Keep receipts as repairs are made, as they may be reimbursable by your insurance company.
- Be wary of rushing into a contract or placing a hefty deposit with a company for repairs. Unfortunately, fraudulent contractors often flock to natural disaster sites, so it is important to consult your insurance agent before hiring anyone.

Decrease Your Product Liability Exposure Through Customer Service



There's an old saying: "You can please some of the people all of the time, and all of the people some of the time, but you can't please all of the people all of the time." These words should become the foundation for any product manufacturer's customer service policy - be ready to handle customer complaints because you will always have them. That means at the very least, you have a written complaint filing procedure and someone who is designated to follow it through to resolution. If the organization is large enough, you may actually have a specific department whose function is responding to complaints. Customers need an effective way to gain your attention about problems with your products other than a lawsuit.

When you are developing a customer complaint procedure, the first consideration is standardizing the location in which to make a complaint whether it is in person, by regular mail or via email. This information should be communicated to customers on any written material included in the product packaging. Your employees should also be able to explain this procedure to customers when asked.

Whoever is designated to handle customer complaints needs to design a form that will encapsulate all of the necessary information to process the complaint, as well as information that can be used for analytical purposes should the complaint become the start of a trend. The form needs to be scrutinized by the R & D team who developed the product, line supervisors who are involved with its manufacture and senior management. As with any company form, it is always a good idea for corporate counsel to review the finalized version. The purpose of the record keeping system is to identify and communicate problems to the source that can correct them in addition to senior management.

The actual complaint processing is when useful customer service techniques can be practiced. Be sure to get an accurate depiction of the problem and as much detail as possible, such as the circumstances of the problem, the duration of the problem, whether the customer has frequently encountered the same problem, etc. This data needs to be logged so that R & D can use it to begin investigations as to whether the defect is inherent in the product itself, or a manifestation of the product being used in a certain way or under a specific set of circumstances. Be quick in forwarding information to the next appropriate level so that you can give the customer a timely response/resolution. Keep the customer informed about the progress of their complaint if it goes on for a lengthy period. And above all, notify them as soon as it

has been resolved, for example with a refund; or on a larger scale such as a product recall.

When you notify a customer, be sure to personalize the communication. If you are responding by regular mail or email, never use a form letter. Use language that is easily understood and avoid industry jargon or complex technical explanations. The complaint handler should always follow-up the letter with a telephone call to determine if the customer is satisfied with the resolution.

Handling customer complaints in this manner appears on the surface to be both time-consuming and costly. However, if you consider it as an investment in your protection against future tort action, this type of program is worth every penny. By taking no action or inappropriate action, you increase the risk of paying down the road when you find your company as the defendant in a lawsuit filed by an angry customer.

Floods happen everywhere.

Important: Flood insurance options from Elliot Whittier help protect what's important to you



A flood doesn't have to be a Federal disaster for you to have a problem. And you don't need to live anywhere near the ocean to have unwanted water in your house - no-name storms, torrential rains and rising rivers can all easily cause local flooding.

In fact, you actually have a better chance of having to deal with a flood at some

point than a fire. And homeowners/renters insurance does not cover flood losses. At Elliot Whittier, we specialize in helping people figure out their risks so they can buy insurance for their specific situation and concerns. Should you have flood insurance? [Here's what we're telling family & friends:](#) Everyone should at least take a look at this. Like to know more? Call Andrew at 617-285-1431.



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Massachusetts General Laws Construction Industry Safety Law Effective July 1, 2006

General Laws of Massachusetts, Chapter 30: Section 39 S Contracts for Construction Requirements

Summary of the change - an entity, whether it's an individual, partnership, or corporation, working on a project for a municipality (ie. county, city, town, district or housing authority) with a contract price of \$10,000 or more, must have each worker successfully complete a 10 Course in Construction Safety and Health approved by the United States Occupational Safety and Health Administration (OSHA) or the worker will not be allowed onsite to work, or can be removed from the worksite as of July 1, 2006. Visit the websites below for more information:

<http://www.mass.gov/legis/laws/mgl/30-39s.htm>

www.OSHA.Gov

A web search using the phrase "OSHA 10 Hour Course" will provide many of the educational sites available to obtain the training. Your Workers Compensation Carrier may be able to help too.



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