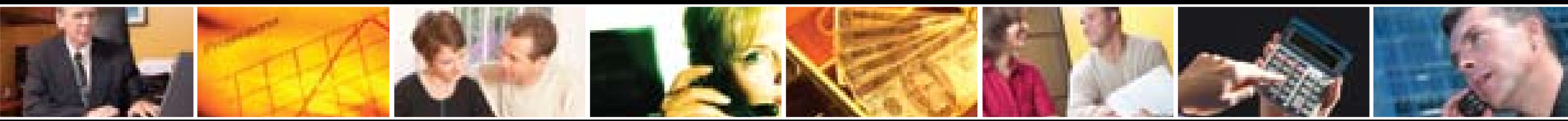
Volume 3 Number 2

Risk Monitor



Are you **confused** by the new **Auto** Insurance competition?

We're not!

- Six of our staff members have attended 18 hours of seminars to understand the new world of Competitive Auto Insurance.
- We have dramatically increased the number of companies we represent that write MA personal auto insurance.
- In most cases good drivers will pay lower **Auto** insurance premiums in the new system. However, that is only part of the story. Now, new **Homeowners** insurance credits make it more cost effective than ever to do business with one agent.
- Competitive pricing is important but it's not the only thing that's kept us in business for more than **125 years**. We pride ourselves in offering sound insurance advice with the best service possible.

If you are already an Elliot Whittier client, we sincerely thank you for your business. If you are not, please ask us to critique your current personal insurance program. Email, fax or drop off your **Auto** and **Homeowners** (**Renters** or **Condo**) so that we can be sure that you are getting the maximum savings. There is a very good chance you'll be glad you did.

Top Tips to Streamline the Premium Audit Process

Are you due for a workers' compensation premium audit? Audits are how insurance rates are determined, and it's possible that an audit will uncover information that can actually save you money. In any case, it pays to be prepared. These five tips can help you get ready.

1. Let your broker know when there are changes in your staffing, payroll or areas of operation. This is important not just at audit time but all the time. Your rates are based on variable rating information, including the number of employees, job classifications, the states in which you operate, etc. Updated information results in more accurate premium assessments.
2. Get your records ready. Your auditor will need to see records such as federal and state tax returns, ledgers, checkbooks, contracts and employee or contractor tax documents. If you prepare your records in advance, you'll speed up the audit process.

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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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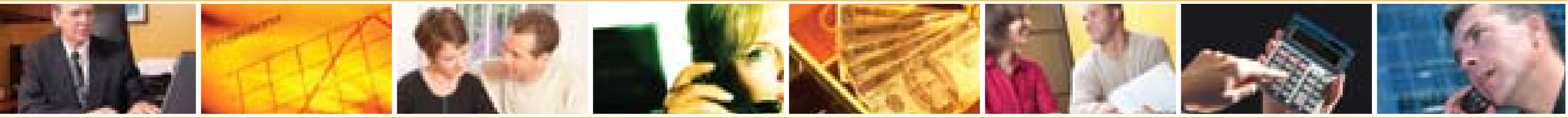

It's My Condominium, Do I Need Coverage?

Owning a condominium is a cross between being a homeowner and being a renter. The unit you purchased belongs to you, but you are still subject to the by-laws of the association that runs the entire complex. That puts you smack dab in the middle when it comes to insurance coverage.

Generally speaking, the condo association will have a master insurance policy that covers general liability for the physical structure and physical damage to the common areas that you share with all of the other unit owners. Keep in mind that while you are covered under the master policy, it is only for these specific instances. It is important that you determine which structural parts of your condo are covered by the association's master policy and which are not.

You also need your own coverage to protect you in the event you lose your possessions. You may also want to obtain coverage for third party injury liability within your unit, property damage to another unit that is caused by you, the loss of structural improvements that you have made to the unit, and additional living expenses that result from having to move out of your unit temporarily.

When you purchase individual coverage, keep in mind that premiums, types of coverage, and limits are affected by factors such as your geographic region and credit score. Talk to your insurance agent about what discounts the company offers for such items as installing smoke detectors and dead bolt locks, purchasing insurance for both your condo and your car with same company, and maintaining your home as a non-smoking environment. Also, if you want to lower your annual premium, you may consider raising your deductible; however, if you choose a higher deductible, you will pay for smaller claims out-of-pocket. Handling smaller claims yourself is a good practice under any circumstances because too many small claims can raise your rates significantly.

Make sure your personal policy includes liability coverage even though you are covered under the general liability coverage in the master policy. You need liability coverage to protect yourself in the event of accidents to guests that occur within the confines of your dwelling. You could also be liable if an action of yours inadvertently causes damage to the physical structure or to common areas. The condo association may have insurance coverage, but if you were negligent, they can and will seek redress from you.

When you are reviewing the actual coverage, keep in mind two important considerations. When given the option of replacement coverage or actual cash value coverage, choose the former. Cash value is cheaper, but you will pay for that savings down the road if something happens to your possessions. Actual cash value policies reimburse you for what you paid for the items, minus depreciation. With replacement insurance, you are reimbursed for what it will cost to replace your possessions at today's market value.

The second consideration is coverage for loss of use. This reimburses you for the expense of a hotel room or other temporary accommodation if you're temporarily forced out of your home. Loss of use coverage is usually limited to 20% of the personal property limits on your policy.

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3. Make sure you break out various types of compensation in your records. For example, to set your premium, your broker considers pay but not contributions to employee benefits packages and other perks, so it's important to make sure your records are clear on the various types of compensation. Also make sure overtime pay is clearly defined since it's classified as regular pay for workers' compensation insurance purposes.
4. Ensure that contractors have their own insurance. This is important not only from an audit standpoint but from a liability prospective as well. If an uninsured contractor has an accident while performing work on your behalf, you can be held liable. If an audit identifies contractors for whom you don't have certificates of coverage, you can be charged for their premiums.
5. Remain on hand to answer questions. As your auditor reviews your material, he or she may have questions or need additional data. If you are available to provide answers, your audit will be completed more quickly.

By following these tips, you'll be more prepared for your workers' compensation premium audit. A fast, efficient audit process can save time for both you and your auditor, so it pays to be prepared.

Primary & Noncontributory: What Does It Mean?

Construction contracts often require a subcontractor's general liability insurance policy to name the owner or general contractor as an additional insured on a "primary and noncontributory" basis. This seemingly simple requirement can cause a lot of difficulty and may hamper the sub's ability to start the project. The International Risk Management Institute recommends that risk managers not include this requirement in contracts. Insurance agents can add wording to a certificate of insurance only if the insurance company approves it. Insurance companies tend to resist adding this language to their policies and certificates. Why are the words "primary and noncontributory" such a problem?

In liability insurance claims, when two policies cover the same loss, one usually applies on a primary basis and the other on an excess basis. This means that one will pay first (the primary policy), and the other will pay only if the primary policy either does not cover the loss at all or if the amount of insurance is not enough to pay for the entire loss. For example, if the primary policy has a limit of $1,000,000 each occurrence and the amount of the loss is $1,500,000, the primary will pay its limit of $1,000,000 and the other policy, which applies on an excess basis, pays the remaining $500,000.

If both the general contractor and the subcontractor have bought modern editions of the Insurance Services Office's Commercial General Liability Coverage Form, the subcontractor's policy is automatically primary. The form's wording makes the insured's coverage excess over any policy that has added the insured as an additional insured by endorsement. Therefore, the "primary" part of the requirement is a minor issue.

The "noncontributory" requirement is more of a problem. Most contracts do not define the term's meaning, and most insurance policies and endorsements do not include it at all. The GC may believe it means that its policy will not pay even on excess basis; if the sub's limit of insurance is not large enough to cover the loss, the GC may expect the sub to pay the remainder out of pocket.

The standard additional insured endorsement to a general liability policy covers the additional insured with respect to liability for injury or damage caused at least in part by the sub's acts or omissions. It also covers liability for acts or omissions of those working for the sub. Coverage lasts as long as the sub has ongoing operations for the additional insured. It does not say anything about the additional insured's coverage being noncontributory. This is the problem: It is not standard insurance industry practice to cover additional insureds on a noncontributory basis. Insurance companies are reluctant to change that, as they want the additional insured's coverage to contribute toward paying for the loss. A GC has less incentive to prevent losses when it knows that its own insurance will not be needed.

A contractor who runs into this requirement should notify his insurance agent immediately and ask the insurance company to provide the coverage. If it won't, he must notify the GC and negotiate alternative terms in order to avoid breaching the contract. The GC may agree to accept the standard endorsement with a promise not to reduce its coverage. He should also consider asking the agent to seek this coverage at the next policy renewal. Most importantly, he must understand what the contract requires and ask questions about provisions that are unclear. No one wants to find out after an insured loss that he must pay part of it with his own money.

Do you have Employees conducting business out of State? Please call us! They may not be covered by your Workers' Comp. Policy.

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and causes damage while running a company errand. It also protects your company if you cause damage in an accident while driving a rental car on company business.

Keep in mind that non-owned auto insurance generally doesn't cover drivers; its purpose is to protect the organization. Non-owned auto insurance generally does not function as primary insurance; it is designed as excess liability protection. In other words, if your employee causes damage in an accident while driving a personal car on company business, the employee's insurance would generally pay first. But if the liability exceeds the amount of the employee's coverage, non-owned auto insurance would protect your business from being responsible for damage costs not covered by the employee's coverage.

The Bottom Line

Liability claims caused by vehicular damage can run into the millions of dollars. Your business could be at risk if an employee has an accident while traveling on company business. Your company could also be at risk if you or an employee has an accident while driving a rental car on business. Non-owner auto insurance can provide peace of mind and vital protection.

Driving Risk: When Employees Run Business Errands

Have you ever sent an employee out to pick up needed supplies? Offered to buy lunch for the crew and asked an employee to pick it up? Unless you only send employees who are insured to drive your company vehicles, you may be putting your business at risk. Your business may also incur liability if you travel on company business and have an accident in a rented car while traveling to meet a client or for other business-related purposes.

Why would your business be at risk? Because if there is an accident that causes damage to a third party and the driver's insurance doesn't cover the full costs, your company may be sued to recover the excess amount. Employees who use their personal cars are generally required by law to have insurance. But unless you hire them as drivers, you probably have no idea how much insurance coverage employees actually carry, or even if they have insurance at all.

If you're traveling on company business in a rental car, you're probably covered by your personal insurance or by a policy purchased through the rental agency. But if you're in an accident and cause damage that exceeds the amount of personal coverage you have, an attorney for the injured party would almost certainly seek damages from your company.

The Solution

The good news is that there's a simple and relatively inexpensive solution: a non-owned auto insurance policy. This type of policy protects your business if an employee gets in an accident

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