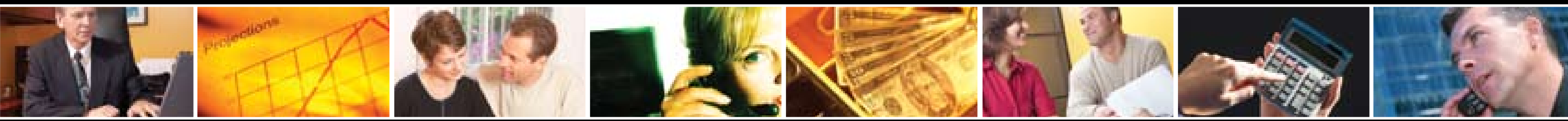
Volume 2 Number 3

Risk Monitor



Seven Tips to Get the Most from Your Business Insurance

Securing proper insurance for your business can mean the difference between survival and failure in times of financial loss. However, in spite of its importance, many small business owners still don’t know all they should when it comes to insuring their company.

Consider the following tips:

- Keep business records updated, duplicated, and organized--and keep them that way. Maintain detailed records of all business transactions, not just for your insurance policies. In the unfortunate circumstance that you should have to file a claim to recover losses due to a business interruption (especially a claim for loss of income or extra expenses incurred due to business interruption), the faster you can get detailed information into the hands of your insurer, the faster you’ll get your claim paid. Finally, make sure you store copies of your records at an alternate location.
- Know the current valuation of your property and its replacement cost. Insurers reimburse for loss in one of two ways: replacement cost valuation, which is the cost to replace property at current market value, or depreciated settlement, which is the cost to replace property minus depreciation. When available, you should choose a policy that reimburses by replacement cost value.
- Be aware of any policy waiting period that applies to business income loss. Any losses incurred during the waiting period will not be covered. Many businesses suffer their greatest income loss and expenses during the first hours and days following a disaster. Instead of a waiting period, consider a policy with a known dollar deductible. You won’ t be covered for the first losses up to the stated dollar amount, but you will be covered for any loss over the deductible.
- Look for a policy with an extended period of indemnity following a business income loss. Some policies only cover losses incurred up to the point that you can reopen your doors. Without an extended period of indemnity clause of say 60 or 90 days, you cannot make claims for losses you continue to incur even after reopening.
- Know what coverages your policy doesn’t include. Review the exclusions and limitations of your policy and add in what you feel is necessary. Frequent exclusions in these types of policies include the loss of cash or securities, losses resulting from employee dishonesty, boiler explosion, and forgery. Read your policy closely, and talk with your insurance agent to ensure you have the necessary coverage for your business.
- Know under what circumstances your business interruption insurance is applicable. Business interruption insurance is designed to cover the loss of income incurred if normal business operations are disrupted or halted by damage to property. Businesses most affected by this kind of loss include manufacturing, wholesale, and retail stores.

Basic business interruption insurance doesn’t cover additional expenses, losses beyond actual loss of income that you may incur. For example, if your office burns to ground, you may need to rent substitute space (perhaps at a greater cost), buy or rent computer & other business equipment, install phone lines, set up

continued on page 3

Our
125th
Year

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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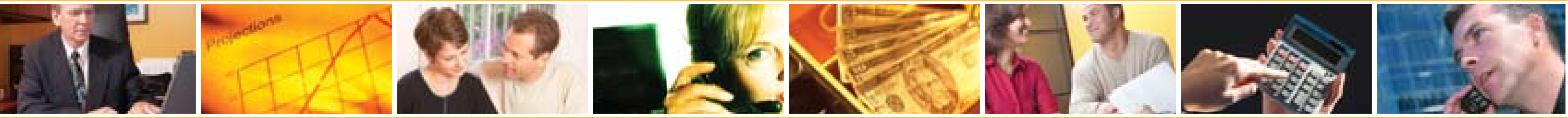

Tips for Weathering Hurricane Season

Experts are predicting a 50 percent chance that a major hurricane will hit the East Coast before the hurricane season ends in December. Similarly, the chance of a major hurricane hitting the Gulf Coast between the Florida Panhandle and Brownsville, Texas, is predicted at 49 percent. Both predictions are well above long-term averages, which signals a potentially active hurricane season.

The Colorado State University's Department of Atmospheric Science expects nine Atlantic Ocean hurricanes this year, five of which they say will be intense, ranging from Category 3 (111 mph) to Category 5 (sustained winds of 156 mph or more).

While 2006 saw no hurricanes come ashore (only the 12th time this has happened since 1945), it was just two years ago that hurricanes Katrina and Rita physically devastated the Gulf Coast. Some areas still have not fully recovered.

Imagine how you would feel realizing the day after a hurricane tears through your neighborhood that you don't have wind or flood insurance, which together provide the bulk of coverage against hurricane damage.

Review Your Policy

If you live in a coastal area, your homeowners' insurance coverage may be subject to a wind or named storm deductible. Flood insurance is also not included in your typical homeowners' policy. Consider that many homes in Mississippi affected by Hurricane Katrina's flooding were not in designated flood zones and were uninsured. In fact, 25% of all flood insurance claims are paid on homes in low to moderate risk areas.

A separate policy protecting your home against flood damage is a wise, relatively inexpensive investment. The federal government by way of the National Flood Insurance Program (NFIP) backs flood coverage. You should also be sure you are covered for wind damage.

Here are some hurricane season tips from the National Hurricane Center:

Secure Your Home

- Protect areas where wind and water can enter your home.
- One of the best ways to protect a home from windstorm damage is to install impact-resistant shutters over all large windows and glass doors to protect the doors and windows from wind-borne objects. They may also reduce damage caused by sudden pressure changes when a window or door is broken.

Family Disaster Plan

- Discuss the types of hazards that could affect your family.
- Locate the safest area to be in your home within your community.
- Have predetermined escape routes and places to meet.
- Have an out-of-state friend as a family contact so all your family members have a single point of reference.
- Have a pet plan in the event you need to evacuate.
- Post emergency phone numbers and be sure children know how to use the 911 system.
- Buy a National Oceanic and Atmospheric Administration radio and replace the batteries every six months.
- Take First Aid, CPR and disaster preparedness classes.
- Keep stock of nonperishable emergency supplies and have a disaster supply kit that includes:
  1. One gallon of water daily per person for three to seven days.
  2. Enough nonperishable food and juices for three to seven days.
  3. Cooking tools (including a non-electric can opener), fuel, paper plates and utensils.
  4. Pet care items including proper identification, immunization records, medication, an ample supply of food and water, a carrier or kennel and a muzzle and leash.
  5. Blankets and pillows.
  6. Medication/prescriptions.
  7. Cash (an ATM will not work without power).
  8. Important documents (keep in a waterproof container).
  9. Toys, books and games.

Here's Why Your Private Company Needs D&O Liability Insurance

If you run a small, privately held company, you may not think that you need the kind of insurance protection that larger, publicly traded companies have for their directors and officers. You would be mistaken. Directors and officers (D&O) liability insurance has a place in the insurance portfolio of just about any company.

D&O insurance is designed to cover claims based on the actions of a company's directors and officers in their corporate capacity. Claims can be filed by shareholders/investors, competitors, customers, employees or government agencies. The cost of defending such claims can run high, and if a claim proceeds to judgment or settlement, the outcome can be financially crippling to a company.

Consider these "Top Ten" reasons for adding D&O liability coverage to the insurance protections you already have in place for your business—

1. While private businesses may not trade company shares on a public exchange, they do have investors, who expect to turn a profit on the money they have invested. Today's credit market makes it more difficult for deals to succeed, meaning that new business enterprises have a harder time getting off the ground. If investors lose their seed money, they may seek recourse against the fledgling firm's top executives.
2. Many private companies are established with the hope that someday, down the road, the business can go public. If and when that deal does happen, D&O can protect the founding entrepreneurs against claims by shareholders/investors that the sales price wasn't good enough.
3. In private companies, directors and officers often are active, hands-on business executives. Because they are very involved in their company's business operations, their actions are more likely to be called into question.
4. Employment practices liability litigation—claims of sexual harassment, discrimination, wrongful termination—are growing in number. These types of lawsuits can result in staggering judgments and settlements. Hands-on management by a private firm's key executives makes them easy targets for these types of claims. Combination D&O/EPLI (employment practices liability insurance) policies make sense for these firms.
5. Private companies, especially in their early years, may not have the resources to hire specialized support staff or outside advisors for complex legal filings and other requirements. This makes them more susceptible to legal compliance claims brought by governmental agencies, on matters such as tax law, labor law, etc.
6. Even when claims of wrongdoing, negligence or mismanagement are unfounded, they still need to be defended. Legal defense costs can quickly add up, straining the resources of a private firm.
7. Directors and officers of private companies often have a great deal of their own wealth tied up in the firm. Therefore, the cost of defending, settling, or being held liable on a claim can have financial repercussions for that executive's spouse, family and estate.
8. D&O policies are best designed when they insure both the company, and individual directors and officers. That's because there may be situations where the company cannot, or will not, indemnify the individually named directors/officers in a lawsuit. A company may not have the financial resources to back up the executive's loss, or the corporate bylaws or public policy may prohibit it.
9. The current insurance market has made D&O coverage more affordable than it has been in the past.
10. Individuals may be reluctant to take on director/officer roles without the protection D&O insurance can provide. This may make it more difficult for a company to find the right people to serve in key corporate positions.

The right D&O coverage—like any insurance protection you purchase for your company—gives managing executives peace of mind, and the time to attend to running the core operations of their company…which is, after all, why they went into business in the first place.

continued from page 1…Seven Tips to Get the Most from Your Business Insurance

security measures, etc. These kinds of expenses generally fall under extra expense insurance.

- Understand how your co-insurance clause works. Co-insurance clauses can lead to penalties if you are not adequately insured at the time of a loss. Suppose you own a building that is valued at $1 million. If you have a co-insurance value of 80%, that means you must insure the building for at least 80% of its value, or $800,000, in order to collect on any loss in full. If you only insure the building for $400,000 -- half of the required co-insurance amount - then you can only collect on half of any loss. So if you had a loss of $10,000, and had only insured the building for $400,000, then you could only collect $5000--half of the total loss amount.

If you cannot get the clause waived by your insurer, make certain that you have bought an adequate amount of insurance to cover the value of your property. That way, you will not experience any co-insurance penalties at the time of a loss.

Pay-as-you-go Worker's Compensation Plans for Quickbooks users

XactPAY WebSM is The Hartford's online integrated Workers' Compensation payment service that calculates insurance premiums for a Hartford Workers' Compensation policy, which amount is then withdrawn directly from your bank account every time you run payroll through QuickBooks®.

The program offers a unique and hassle free approach to paying for Workers' Compensation insurance. Rather than paying for insurance up to a year in advance and tying up vital cash, premiums are paid as you go one payroll period at a time!

This is a program that you can't afford to miss and it's offered to QuickBooks® users at no charge through Elliot Whittier Insurance from The Hartford, a leader in commercial business insurance.

To learn more, contact me today!

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