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# Risk Monitor

WINTER 2011

A NEWSLETTER FOR CLIENTS AND FRIENDS OF ELLIOT WHITTIER INSURANCE

## Why Earthquake Insurance Is Important Everywhere



When most people think about earthquakes in the United States, California and Alaska are the two states that come to mind. However, earthquakes can happen in any part of the country, and indeed we experienced one on the east coast on August 23, 2011. Many people move out of areas that are prone to earthquakes after experiencing one to escape the possibility of a repeat experience. The truth is that there is no place that is completely safe from earthquakes. They are a very real threat that everyone must consider and plan for. One of the most vital aspects of proper preparedness is having ample insurance coverage.

damage in 39 states alone since 1900. This proves that while some people may not live in areas that commonly experience earthquakes, they're still not immune to the threat.

Earthquake insurance is available as a rider, which is added to a business or personal property policy. People who have one of these types of coverage should contact their insurer to find out what coverage options are available. Since they're unpredictable and happen suddenly, it's best to be prepared for all types of disasters. Earthquake insurance is so important that it can't be stressed enough. While the majority of people assume all California homeowners have this type of coverage, research indicates that about 12% actually have this type of insurance. The nation's average is less than 12%.

Earthquake damage isn't covered in the majority of homeowners policies. This is also true for business policies. Both types of policies specify that damage from earth movement is not covered. While actual damage from a quake may not be covered, property insurance may provide coverage for fires and other incidents that occur as a result of it. Policyholders should scour their policies to understand the specific exclusions. If the policy seems difficult to read, it's important to contact an agent with any questions.

Earthquake insurance costs vary by location, building type and the age of the building. It's much more expensive to insure older buildings. In addition to this, brick structures are more expensive to insure. Buildings with wood frames withstand the force of earthquakes better, so it's cheaper to insure them.

Many people think they won't experience a major earthquake during their lifetime. This is especially true for those who live in areas where earthquakes happen every 100 years or less. Although many people may not experience a strong earthquake like the recent Virginia incident, there are over 5,000 incidents recorded each year by the USGS. Damage from earthquakes has been recorded in all 50 states in history. There have been reports of

Every earthquake policy also has a deductible. This means that homeowners must pay upfront for a portion of the damages before the insurer pays the remaining amount. The deductible may be up to 20% of the structure's replacement value. The percentage depends on the insurer and the location of the structure.

There are also options for renters. There

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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.

“**Earthquake insurance is available as a rider, which is added to a business or personal property policy.**”

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# Cyber Liability Insurance: A Smart Investment That Might Save Your Business

On April 20, 2011, someone hacked the Sony Playstation Network. They found an opening in the online video gaming network's password-reset system and penetrated the security protecting its customer database. Days later, the company admitted that the hackers had obtained personal information on 70 million or more subscribers. The hackers got names, physical and email addresses, birthdates, and other identifying information, and it's possible that they got credit card numbers. Sony took the network offline to reinforce it, but within days of it coming back online, hackers broke in again.

Playstation Network is a high-profile target with tens of millions of subscribers, making it attractive to criminals. However, even small businesses that do business over the Internet are vulnerable to the same kinds of intrusions. The federal Internet Crime Complaint Center referred more than 146,000 complaints to local, state and federal law enforcement agencies in 2009, 22 percent more than the year before. One out of every three of those complaints was for identity theft, credit card fraud and computer fraud. The Ponemon Institute has reported that the average data breach costs businesses \$7.2 million.

What could happen to a business's data?

Over a seven-year period, a Georgia man stole 675,000 credit card numbers and associated information. He racked up thousands of fraudulent transactions and bills exceeding \$36 million.

A Texas man received a 110-month prison sentence for hacking into 14 computers in the hospital where he worked as a security guard. He disabled network security systems, installed malicious software, infiltrated a nursing station computer containing patient medical records, and gained remote access to temperature-control systems.

The FBI caught a North Carolina man in the act of attempting to access an ATM in 2010. The man had planned to hack into 35 ATM's located around Houston, Texas in the hope of pocketing more than \$200,000.

When consumers and business owners give their credit card numbers and other



personal information to a business or organization, they expect that this information will stay confidential. They will hold the organization responsible if they suffer financial harm because their information fell into the wrong hands. The organizations that lost the data face the potential for large jury awards or out-of-court settlements. To protect themselves, they should consider buying cyber liability insurance.

One insurance company advertises a cyber liability policy that provides coverage for expenses such as:

- Damages to third parties caused by a network security breach
- Loss resulting from administrative or operational mistakes made by the business's own employees or by outside vendors
- Expenses resulting from a breach of consumer protection laws, such as HIPAA or the Fair Credit Reporting Act
- Costs of notifying customers of a breach
- Public relations expenses necessary to repair the business's reputation

Nearly 30 insurance companies currently offer cyber liability policies. If an organization's insurance broker does not have direct access to a company that offers the coverage, he may be able to obtain it through a specialty broker. Business owners should work with their brokers to determine what types of

**Implement strong network security systems, and continually monitor and update them as needed.**

policies might meet their needs.

To prevent or reduce losses and to make themselves more attractive to insurance companies, businesses should:

Implement strong network security systems, and continually monitor and update them as needed. Develop plans for responding to any network intrusion events that do occur. A sound plan identifies who should be involved in the response, has procedures for notifying affected customers and authorities, and has a public relations strategy for keeping the public informed.

The majority of businesses and organizations operating today are vulnerable to unauthorized intrusions into their computer networks. The potential costs are more than most organizations can fund on their own. Cyber liability insurance is a smart investment that can literally save a company.



# Elliot Whittier is proud to support many area non-profits

At Elliot Whittier Insurance, we take our responsibility to give back to the community very seriously, not only on a business level but also on an individual level. Cultivating this environment of "giving" is part of what we do all year long. We believe that contributing to the world around us benefits not only those organizations we help, but also enriches our organization, ourselves, and ultimately becomes expressed in the service level we bring to our clients. Some recent examples...



September 2011 - Elliot Whittier Insurance is proud to support WCAT – Winthrop’s Community Access Television, and has recently donated \$250 to the station. Shown here is Mike Cabral, Director of WCAT with Paul Roy, Principal of Elliot Whittier.

**To find out more about WCAT:**  
<http://www.wcat-tv.org/>

September 2011 - Members of Elliot Whittier surround Speaker of the House Bob DeLeo at Friends & Family event. Local resident Linda Vecchia started "Friends & Family", a local non-profit group that supports people with substance abuse issues and the friends and family that support them. Vecchia hoped that the group would help bring together those that are affected as

they struggle between addiction and recovery, and help the friends and families that are torn apart as well.



Pictured above are Linda Roy, Chris Millerick, Shannon Blazak, Speaker DeLeo, Paul Roy, Kristin Quinn & Erica Citro.



Founder of Friends and Family, Linda Vecchia, accepting \$500 donation from Elliot Whittier Insurance staffers. Pictured here are Suzanne Noiles Chiudina, Chris Millerick, Vecchia, and Amy Roy Olevitz.

**To learn more about Friends & Family: Find the open group on Facebook or at <http://www.friendshelpfightaddiction.com/default.html>**

November 2011 - Elliot Whittier is proud to be an annual supporter to ZUMIX, an East Boston non-profit which engages inner-city youth in music and related arts. Therefore it gives us great pleasure to share that ZUMIX has just received the highly coveted 2011 National Arts and Humanities Youth Program Award from the White House.



Pictured here is ZUMIX Executive Director, Madeleine Steczynski, and participant Ixchel Garcia, with First Lady Michelle Obama.

**To learn more about ZUMIX:**  
<http://zumix.org/support>

**continued from page 1 ... Why Earthquake Insurance Is Important Everywhere**

are coverage policies that protect personal property. In addition to this, they usually cover living expenses if the building becomes uninhabitable after an earthquake. It's important for renters to keep a list of belongings and their values. Major appliances, furniture, electronics and other expensive items must all be documented properly. A new way of creating a record of belongings is making a narrated video tour of the home and focusing on belongings. It is best to contact your insurance agent to secure the earthquake coverage that is right for your individual needs.

**If you are interested in finding out how much it would cost to add Earthquake coverage for your home, please contact Chris Millerick today at 857-816-4935.**

## What is this anyway?

This is a QR code – a matrix barcode that is readable by QR barcode readers, often utilized via free download on smart phones.

QR codes will take the observer from a tangible media such as print, to online, with a quick scan of their mobile device.



# Appointment with Narragansett Bay Insurance puts Elliot Whittier in Prime Position



New Options for the North Shore AND Coastal Homeowner

Elliot Whittier is pleased to announce it's appointment to sell homeowner's insurance products

by Narragansett Bay Insurance Company. Narragansett Bay Insurance Company (Narragansett Bay) is a leading specialty underwriter of homeowners insurance products and services in states along the Eastern seaboard. The company currently provides homeowners coverage in Massachusetts, New Jersey, New York and Rhode Island – with plans to add additional states.

"We are thrilled to be adding Narragansett Bay to our carrier portfolio. We now have more options than ever

as we go to market for our prospective and existing customers' home insurance. This is particularly good news for qualified coastal properties that customarily have limited or perhaps only one place to look at for their home insurance," said CEO Steve Roy.

Narragansett Bay has been assigned (and reaffirmed) a Financial Stability Rating® (FSR) of "A, Exceptional"\* by Demotech, Inc., a nationally recognized financial analysis and actuarial consulting firm.

*\*as of 3/31/2011*



# Elliot Whittier

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