



216 E. Broadway, P.O. Box 557 • Salem, NJ 08079-0557
 (856) 935-0845 • (856) 935-4223 FAX
www.hdyoung.com • insure@hdyoung.com



Fall/Winter 2008

New Jersey

Cyber-tech coverage

To protect consumers who may have had the privacy of their confidential data breached, many states have imposed restrictions on how businesses manage Social Security numbers they collect. California led the way in 2003 with the Security Breach Information Act. In 2005, New Jersey passed the Identity Theft Protection Act, which requires any entity doing business in the state to notify the state police and any clients who are New Jersey residents, as soon as it gains actual or reasonably certain knowledge of unauthorized access of the business's electronic files or data.

The enforcement mechanisms built into these laws do not always grant individual consumers the right to sue businesses for their losses, but allow states' attorneys general to pursue related claims. Although these laws are relatively new, some states already have instituted legal proceedings against violators. In fact, in April 2007, New York state recovered its first settlement under the law. An Illinois-based company, CS Stars, was found to have delayed notification for over seven weeks, after having knowledge that more than 540,000 New York state consumers' data had been compromised. CS Stars agreed to pay New York state \$60,000 for the costs of the investigation, and certify that it now would comply fully with the law immediately. Other states allow affected consumers to sue the careless business directly, under the common law tort of negligence, when a business fails to enact reasonable and cost-effective precautions.

The costs facing a business found liable for exposing its customers' confidential data can be severe. Frequently, as parts of settlements, businesses have been required to purchase credit monitoring services for all customers, something that can cost more than \$10 per month, per instance of a customer's data being compromised. Additionally, courts impose punitive damages in Internet-related tort suits at a rate higher than traditional lawsuits and many courts are allowing the new application of existing legal theories to Internet and cyber-based conduct. However, there are insurance products available to protect consumers and business alike. Some are offshoots of general liability policies, and must be read carefully for specific exclusions that roll back coverage for cyber breach, but a growing number of policies offer coverage for defense costs; notification costs; legal liability; credit monitoring and regulatory compliance. Call us for more information on cyber-tech coverage.

Index

Guard against the risk:	
Key-person life insurance.	2
Late payment?	2
How to read an insurance policy.	3
Planning a holiday party? Safety first!	4
News from our agency	4

Guard against the risk: Key-person life insurance

Your business needs one thing to survive and grow ... to continue to do business. The sad story is all too true: A large- to mid-sized disaster cripples a small business, factory or shop; and while key-person coverages are in place, the business just cannot recover from the loss of business and/or the inactive business time. Business-lines coverages exist for loss of business during such a crisis, but imagine another disaster, one with a more personal aspect ...

The unexpected death of a partner, top producer, major shareholder or any other key employee is tragic enough; but, even more tragic is when a small business is shattered by the loss. Replacing the industry knowledge and contacts of such a member of a business can take untold time and money. This loss puts in doubt

everything on which the small business has built. Not only have the remaining principles of the business lost a trusted expert, but now the company must work to maintain the trust of the clientele and assure any investors that the business will survive this loss.

Just as loss-of-business coverage can help in times of disaster, so can a key-person life insurance policy. In this scenario, your business is the policyholder. In the case of death, your business receives the death benefit. This coverage can provide the funds to: assure creditors and clients the business will continue to run smoothly; defray any expenses that may occur from the estate of the deceased; and begin senior-level recruiting.

Contact us today to find out how you can protect yourself against this risk that goes overlooked all too often.



Late payment?

You may think a missed or late insurance payment isn't a big deal. Who hasn't misplaced a bill or forgotten when a payment is due? What harm could it do? Plenty. When considering whether to renew your business insurance policies, insurance companies look at a number of different factors, such as: claim history and payment history.

If your insurance company is spending time and money sending out overdue payment notices or tracking you down to make a payment, it might decide your business is costing more money than another account and may decide to nonrenew your policy.

A cancelled policy, due to late payments, may make it difficult to find a replacement policy with another company.

If that wasn't enough to make you pay your insurance payments on time, consider this: Some insurance companies will waive the

monthly installment fee if you sign up for their automatic payment option, which not only will ensure that your insurance is paid on time but also will save you money. If you pay online be sure to make your payment before the due date.

Pay attention to the "payment due" date on your insurance bills, it will save you frustrations in the end.



How to read an insurance policy

An insurance policy is ultimately a legal agreement, a contract. The insurance company makes a promise to the policyholder, for which the policyholder pays a premium to the insurance company. The promise is generally triggered by some event outside the control of either party. While all contracts have common elements that make them enforceable, insurance policies have some unique provisions. These provisions fall into the following categories.

Declarations. This front page adds specifics to the company's generic, off-the-shelf policy and makes it your policy. Your name, your policy number, your property and all information specific to your business are indicated on this page.

Definitions. This is the dictionary of the policy. If words are used with meanings outside ordinary English usage, they are given policy-specific definitions here. Throughout the document, these words will be distinguished by quotation marks, italics or bold print. Definitions sometimes mean the difference between a claim that is paid and one that is not. For example, once the policy defines who an "insured" is, every person or entity who is an "insured" is covered and every person or entity who is not an "insured" is not covered. Be aware that definitions do not necessarily always appear in the definitions section of the policy. They may be introduced throughout, when applicable to only part of the policy.

Insuring agreement. This is the starting place for analyzing each coverage of the policy. A general statement of the events and damages to be covered is made—subject to all the other provisions of the policy, of course. It's like the sales pitch for the coverage. For example, Coverage A of the commercial general liability policy states that the insurance company will pay for damages of "bodily injury" and "property damage" for which you are legally liable to pay due to an "occurrence."

Exclusions. The insuring agreement begins the coverage promise with a very broad statement that must be narrowed to the specific coverage intended. This is done with exclusions. Oddly enough, much of a policy's

actual coverage is found in the exclusions.

The exclusion begins by taking away coverage, but then restores that portion of it that is ultimately intended—the exception. Just as two negatives add up to a positive, an exception to an exclusion is a coverage. For example, after suggesting that you are covered for all legal liability, Coverage A of the commercial general liability policy excludes for liability assumed in a contract, but then makes an exception for an "insured contracts" which is defined in the policy. This is your contractual liability coverage.

Conditions. You probably knew there would be "strings" attached to the promises made in the policy by the insurance company. These are the conditions, which generally outline your duties after a loss. The insurance company needs a way out of the promise if it can't get your cooperation in the reporting, investigation and adjustment of your claim.

Miscellaneous provisions. Not all provisions fit neatly in the other categories. For example, a property policy will state the type of valuation to be used in paying the claim (replacement cost, actual cash value, etc.). A commercial general liability policy will state how the policy will react to other insurance you have that covers the same claim.

External factors. All of these policy provisions must be examined for their effect on the final determination of coverage for a specific claim. Even factors outside the policy provisions impact your coverage. Some of these external factors include statutes, insurable interest, legal doctrines, hold harmless agreements, market values and other insurance.

We encourage you to read your policies so that you are an informed policyholder. However, any time you need our assistance to understand your policy, we are just a phone call (or e-mail) away. Performing on the promise is the business of the insurance company, but service is our business.

And finally, give us a call to review your insurance coverage or if you have any questions or concerns about your business insurance.

Planning a holiday party? Safety first!

Hosting a holiday party is a popular tradition and a way that businesses show appreciation to their employees. It's an opportunity for employees to relax, get to know each other better and share some holiday cheer.

However, the holiday party is not all fun and games. As an employer, you expose yourself to certain liabilities associated with hosting such an event. It is imperative that you become familiar with the legal implications of your company gathering so you can avoid turning good times into lawsuits.

Drink and be merry ... or not: If you choose to serve alcohol at the holiday party, you take responsibility for your guests' consumption, even after they leave the event. How do you limit your risk when serving drinks?

- **Be a teetotaler:** Avoid any potential issues by nixing alcohol completely. Host a lunch event rather than an evening banquet, where drinking would be less appropriate.
- **Keep tabs on alcohol consumption:** Hire a professional bartender. Most are trained to recognize whether an individual has had too much to drink.
- **Feed your guests:** Drinking on an empty stomach can be a recipe for disaster. Be sure to provide plenty for guests to eat. High-protein foods such as meat and cheese take longer to digest, slowing the rate at which the body absorbs alcohol.

- **Have a happy ending:** Cut off access to the bar one to two hours before the end of the party. Offer a shuttle or taxi service for employees to get to and from the party without getting behind the wheel.

Lowered inhibitions can lead to a lawsuit:

A holiday party gives employees the opportunity to let down their guard a bit and socialize. However, particularly if alcohol is involved, this can mean lax behavior and the potential for sexual harassment. How can you avoid this?

- **Remind employees of expectations:** Circulate a memo prior to the party reminding everyone of company sexual harassment policies. Institute a professional dress code for the party.
- **Get family involved:** Consider inviting the spouses and children of employees. The presence of other people will help keep the event appropriate.
- **Investigate complaints:** Conduct a prompt and thorough investigation of any complaints associated with your holiday party. Failing to do so could impose greater liability.

Considering your potential liabilities is essential as the holiday season approaches. With proper planning, you can have a great time at your office holiday party without any legal headaches.

News from our agency

Insurance solutions built on trust

Our agency staff provides businesses throughout our area with uniquely tailored insurance solutions for their needs. Founded on a history of trust and personal service, our experience can provide you with valuable insight in selecting the insurance products that fit your company best.

Just like you, we are professionals. Because we're an independent agency, we can offer a wide range of products and services. As such, we are not tied to a single company; we are free to choose the carrier that offers the best coverage and value for you.

We carry a full line of insurance products, including business auto and general liability. As a professional, independent agency we have the flexibility to help you determine the right coverages at the best price.

We'd love to talk to you about updating your policies or developing an insurance package that meets the needs of your company and you. Call us today for more information.

