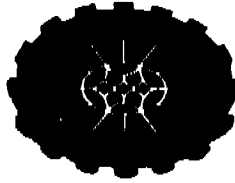


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SOLUTIONS

THE
McLAUGHLIN
COMPANY



CREATIVE RISK
MANAGEMENT INC.

Volume 3 Issue 2

April 1996

The McLaughlin Company

Creative Risk Management

Tenants Insurance

By Becky Ferris, CIC

The Tenants' Policy (Form HO-4) insures a tenant of a dwelling or an apartment who is not eligible for a Homeowners Policy. It does not include dwelling coverage, but it does provide worldwide coverage on unscheduled personal property and Loss of Use Coverage for loss caused by perils including fire, vandalism and malicious mischief and theft. Personal Liability insurance, including Medical Payments, is a part of the package. Various endorsements are available to expand its scope or adapt it more specifically to the needs of the individual insured.

Tenants have a tendency to believe what they own is not worth insuring, underestimating the cost to replace their personal items. Some believe if the residence burns, the landlord's building coverage pays for their contents.

Another misconception is that items stolen out of an auto are covered under the auto policy. I have handled several claims this year in which items were stolen from automobiles of insureds without tenants' coverage. The items that are most likely to be stolen are home computers, golf clubs in the trunk of the car, jewelry items, leather and fur coats, video cams and cameras, luggage and contents while traveling, prescription sun glasses, silver items, VCR and TV, and microwaves.

I have also noticed many people believe only homeowners can be sued. A person can be liable whether or not they own real estate.

Becky Ferris is the Manager of The McLaughlin Company's Cincinnati Office

Time Element

By Sandy Arp

As a business owner, one of the greatest threats to the financial security of your business is interruption of business, whatever the cause. Time element coverage will protect your business from such losses. However, there are several different approaches to the coverage. Coverage can be tailored to protect your total income, partial income, income excluding payroll, time limitations and with or without extra expense coverage.

You need to take the time to review with us what income may stop or decrease in the event of a loss. Also look closely at the length of time it may take to get you totally operational again. These factors together with the completion of a business income worksheet will enable us to prepare a plan of coverage to adequately protect your business. Forethought and planning are the best defense against financial disaster. Please contact us today so that we may review and discuss your time element coverage.

Sandy Arp is a Commercial Lines Underwriter in the Washington, D.C. Office of The McLaughlin Company.

In This Issue:

To: All Staff
From: Ted Pappas
Re: Single Best Idea



With 1995 over and 1996 just beginning, I would like everyone to reflect on the past year. If you were to advise our clients, what is the single most important thing you would tell them?

Coverage for Backup of Sewers and Drains

By Dee Chatak

This coverage can be endorsed onto the homeowner's policy and covers damage resulting from sewer and drain back-up that is not caused by negligence on the part of the insured.

The endorsement's broad coverage agreement, limited only by the exception of loss caused by negligence on the part of any insured, obviates any disagreement about the kinds of sewer backup losses covered by homeowners insurance. Both the damages caused by the influx of water from outside the insured's drainage system and losses caused by plumbing blockage are covered by the endorsement.



Dee Chatak is the Assistant to the President of The McLaughlin Company.

Umbrella and Excess

Liability Policies

By Ethel Morehead

These policies are among the most important policies purchased by an insured. Since the risk of large lawsuits is increasing, coverage and/or increased limits for existing policies is crucial.

The Umbrella Policy will allow the insured to purchase higher limits of liability for their business or personal exposures. It will also provide coverage for losses that may not be covered under primary coverages. An Umbrella Policy is designed to fulfill three basic functions:

- ⇒ To extend the limits of the primary liability policy
- ⇒ To replace primary coverage once the primary aggregate limits of liability have been exhausted
- ⇒ To afford broader coverage in some areas than primary policies provide.

The Excess Liability Policy provides coverage above the primary coverage.

Ethel Morehead is a Commercial Lines Underwriter in the Washington D.C. Office of The McLaughlin Company.

Scheduled Personal Property Coverage

By Lisa F. Sheffey

A standard homeowners policy provides limited coverage for Furs, Jewelry and Silverware. Scheduling Cameras, Coin Collections, Fine Arts, Furs, Golf Equipment, Jewelry, Musical Instruments, Silverware, Stamp Collections provides coverage for direct loss with no deductible. Also breakage coverage for fine arts can be endorsed on the scheduled personal property coverage for an additional premium. Most insureds are concerned about theft, but some of our most complicated claims involve scratching, marring and chipping of valuable items. Scheduling valuables and heirlooms solves this problem.

Lisa Sheffey is a Personal Lines Underwriter in the Washington, D.C. Office of The McLaughlin Company.

Understand Your Policy

By Michelle Barrett

As a fairly new employee, I have yet to master the vast scope of the Insurance Industry. But after reading articles in the periodicals and reflecting back on this past year's claims, I believe that making sure our clients understand their policy would be the single most important item in considering our clients needs.

The limits of insurance are listed in the Declarations Page. These limits and conditions should be completely understood by the client. Additional coverages that are optional are available if needed. Deductible amounts should be taken into consideration as well. Property or losses not covered will be listed. Our clients should be advised of any potential problems with their choice of coverage. Most clients are concerned with their premium, not their coverage, until the time of loss. Most individuals do not read or understand their policies. They rely on the information given to them to be correct and complete.

Since insurance is complex and confusing to anyone -- even a specialist -- I believe it is important to educate our clients as much as possible regarding all circumstances that they will encounter with their insurance needs.

Michelle Barrett is a Customer Service Representative in the Cincinnati, Ohio Office of The McLaughlin Company.

Employee as Insured Endorsement

By Cheri Brewer

Employees use their personal car in the business of their employer on a daily basis. This is not a problem as long as the employee has a Personal Insurance Policy and the employer has a Business Auto Policy. In the event of an accident, the PAP (Personal Automobile Policy) will respond as primary insurance to protect both the employee and the employer. However, what if the employee's policy limits are exhausted before a suit/judgment is satisfied? No problem, the employer's BAP (Business Auto Policy) will jump in and provide the employer with excess coverage. Great, right? Wrong! Does the employee also have additional coverage? No. The Employee has no excess coverage under the Employer's policy because the coverage form specifically excludes coverage for the liability of any employee if the covered auto from which the accident arises is owned by that employee or a member of his or her household.

Is there a way around this? Yes. The Employee as Insured Endorsement will accomplish this by extending nonownership liability coverage to cover the individual liability of employees while they are using their own automobile in the employer's business.

Should this endorsement be recommended to every business auto insured? No. However, if the insured has employees who use their personal auto in the insured's business, that insured must be made aware of this endorsement. Some companies may want to give employees part of their insurance when the employee carries limits that are insufficient while others may be concerned with protecting the company's insurance limits and program. By providing them with the information, they are able to make a choice.

Cheri Brewer is Vice President of The McLaughlin Company and Manager of the Insurance Department



Alexandra Scott has attained the designation Certified Insurance Counselor. This is a significant achievement and represents her dedication to professionalism and our agency's commitment to continuing education.

Business Income for Restaurants

By Art Swirsky

Business Income is very necessary for situations when restaurants must be temporarily closed due to weather conditions; electrical outages affecting refrigeration, heating and cooling systems; flooding, roofing collapses or other structural problems.



One example occurred when a vehicle destroyed the front section of a restaurant located near a busy intersection. Fortunately, the accident happened when the restaurant was closed so no one in the restaurant was injured. However, the restaurant needed major reconstruction and was inoperable for four months. Property coverage helped the restaurant owner pay the reconstruction costs but the Business Income coverage made up for his loss of revenue and kept him from missing payroll and vendor payments. Since the driver of the out-of-control vehicle was drunk and uninsured, it was fortunate the owner of the restaurant had business income insurance. (Pursuing legal action against the driver would not have been successful.)

Art Swirsky is an Account Executive in the Washington, D.C. office of The McLaughlin Company.

Fiduciary Risk

By Peter Forbes

Bull markets mask myriad sins. The 80's and 90's have been extraordinarily better for financial markets than almost any time in this century. Are we complacent with success? Would we rather not believe another war or "oil-shock" is possible? Are fiduciaries prepared for these risks?

Fiduciary risk is created by bad process, not necessarily bad results. If you don't have a written and rational process, you're playing Russian roulette with History and the Law! Document what you're trying to accomplish, the risks you perceive and how you intend to manage them.

Great performance comes and goes: process is forever!

Peter Forbes is Senior Vice President of Lynx Investment Advisory, Inc -- Investment Management Consultants for Qualified Plans and Trusts

Disability Insurance

By Brenda Mantz, CIC, ARM

This is the one exposure shared by all of our clients. The importance of Disability Insurance cannot be overstated. Because the odds of someone becoming disabled are so high -- a three in ten chance a person will be disabled for three months or more before age 65 -- disability protection is vital for every income-producing person.

- ⇒ *Every year one out of 7 employees suffers a disability that lasts a week or more.*
- ⇒ *The number of individuals between 17 and 44 who experience severe disabilities has risen 400% over the last 25 years.*
- ⇒ *3 out of 10 working individuals between the ages of 35 and 65 are disabled for 90 days or longer.*
- ⇒ *Today more than 23 million Americans over the age of 15 have severe disabilities.*
- ⇒ *Up to age 65 the average duration of a disability that lasts over three months is two and a half years.*

Disability insurance can protect our insureds' most important resource -- his or her income. In the broadest sense, it can provide our insureds with a continuing source of income if an accident or illness prevents them from working. Unless someone is independently wealthy, he or she will need Disability Insurance to cover the costs of day-to-day living. These costs can range from straight income protection to keeping an entire business going.

Brenda Mantz is Executive Vice President of The McLaughlin Company and President of Creative Risk Management, Inc.

Union Liability

By Alexandra Scott, CIC

The first idea that came to mind is related to the new Personal/Advertising Injury and Employment Practices Liability exclusions on the Ulico BOP (Business Owner's Policy). Not only is it critical for Ulico insureds to be aware of these new exclusions, but other carriers' policy holders should be aware that those coverages are almost certainly excluded on their policies. We are suggesting Union Liability as a remedy for this -- we are being careful not to say "replacement" because it is not.

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I would make our insureds aware of these new exclusions and the possible remedy -- Union Liability. I would be careful to point out, however, that the Union Liability Policy contains a bodily injury exclusion that would apply to allegations of emotional distress and mental cruelty.

A related idea is especially appropriate considering the aggressive new leadership at the AFL-CIO. Last year we received a clarification from UNUM regarding the Riot Exclusion on an International Union's disability policy. As it turns out, there is a thin line separating a protect from a riot. Similar exclusions may be included on other life/health policies and perhaps on some P&C policies. Our insureds should be alerted to the potential for problems should a claim arise out of one of these situations. While we certainly do not want to give the impression that we are discouraging the use of protects, we do want the insured to be aware of the exposure they, their employees and members might have as a result of such activities.

Alexandra Scott is the New Business Coordinator for the Executive Protection Department -- and the steward of The McLaughlin Company's bargaining unit of CWA Local 2336.

Boiler and Machinery Insurance

By Anita Robinson

Today, Boiler and Machinery coverage is often called "Mechanical and Electrical Equipment Breakdown" coverage. It is not just boiler explosion insurance, but is insurance for accidents caused by electrical disturbances, other than lightning, mechanical breakdown, and other causes.

Although this coverage is no guarantee that the insured will never again have to pay for repairs or replacement of equipment, many commonplace but expensive equipment breakdowns are covered. You should know that Boiler and Machinery Equipment is not excluded from coverage under a property policy. If the Boiler and Machinery equipment is damaged by fire or any other covered peril, the loss would be covered subject to the policy limit. However, the perils associated with Boiler and Machinery within a property policy preclude coverage for damage to the Boiler and Machinery or other damage resulting from such perils. It is the consequential loss that is not covered.

Even businesses with no boiler on the premises may have a boiler and machinery exposure.

Anita Robinson is a Commercial Lines Underwriter in the Washington, D. C. office of The McLaughlin Company.

Voice Mail

By Kisha Harley

In February of 1995, The McLaughlin Company replaced the old telephone system with the Norstar-Plus Voice Mail System. The new system is supposed to be "user friendly". It includes a variety of options. Most of us still don't understand and/or use most of them.

One feature is voice mail. Some people love it. Some people hate it. (I love it.)

If you call our agency after hours, you can dial your party's extension to leave a detailed message in their voice mail box.

To make it easier for you, here are the extensions:



Sandy Arp	247	John T. Pappas	225
Cheri Brewer	242	Jon C. Pappas	228
Joyce Bullen	251	Ted Pappas	223
Dee Chatak	226	Anita Robinson	246
Faye Cochran	222	Alex Scott	235
Brenda Mantz	234	Joe Seiler	250
Ethel Morehead	245	Lisa Sheffey	244
Erlin Mullican	236	Marian Spittle	248
Jamaine Taylor	243	Art Swirsky	230

If you do not know the name of the individual, you can leave a message in our "general delivery" mail box. Your message will be forwarded to the correct person first thing on the next business day. The mail box is accessible 24 hours a day.

With these options, as well as a unique paging system, our clients can be assured that they will receive the most timely response to their needs.

Kisha Harley is the Receptionist and Accounting Assistant for The McLaughlin Company. Her extension is 221

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Bailees Coverage

By Jon Pappas

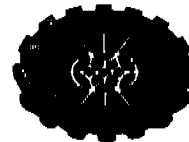
Ownng and operating a business today is difficult. One of the risks you face is damage to your customer's property. You can protect yourself with "Bailees" coverage. No, this is not a coverage that will get you out of jail. It is coverage that protects you and your business when you are responsible for the property of others. Under most jurisdictions you as a business owner are only liable for losses that are due to your direct negligence. However, if you want to stay in business, you must satisfy a customer regardless of negligence. Bailees' coverage does not require that you be negligent before you can settle a claim for damaged property. A typical bailee's policy will cover all goods or articles accepted by you from your customers. It covers property on your premises or in the custody of your employees or agents, at your branch locations or in transit. Of course, there are exclusions and variations, but most insurance companies will replace the damaged goods of your customers in the event of loss due to such perils as smoke damage, flood, theft, vandalism, burglary, fire and lightning.

Bailees coverage gives you freedom to satisfy your customers immediately with the comfort of knowing you will be reimbursed by your insurance company. Running the risk of not being able to afford to settle a customer's claim could cost you the loss of a customer and many potential customers as well. As noted author and business consultant Dr. Michael Laboef writes, "A typical dissatisfied customer will tell eight to ten people about his or her problem....If you resolve the problem on the spot, 95% will do business with you again."

Jon Pappas is Vice President of The McLaughlin Company

SOLUTIONS is a service of The McLaughlin Company and Creative Risk Management, Inc. -- offering you timely and creative solutions to all your **INSURANCE** and **RISK MANAGEMENT** needs.

**THE McLAUGHLIN COMPANY
CREATIVE RISK MANAGEMENT, INC.**



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Gaps in Coverage

By Erin Mullican, ARM

When your Commercial General Liability Insurance comes up for renewal, are you thinking of switching carriers? If so, make sure there will be no gaps in coverage. First determine whether you have an Occurrence Policy or a Claims Made Policy. Under an Occurrence Policy, the injury or damage must occur during the policy period to trigger coverage. Under a Claims Made Policy, the Injury or Damage must occur after the retroactive date and a claim must be made during the policy period or during the extended reporting period.

The following chart illustrates the potential coverage gaps that can be created:

Expiring Policy	New Policy	Problem
Occurrence	Occurrence	None
Occurrence	Claims Made	None
Claims Made	Occurrence	Need Extended Reporting Period Coverage for Expiring Policy
Claims Made	Claims Made (Same Retro Date)	None
Claims Made	Claims Made (New Retro Date)	Need Extended Reporting Period Coverage for Expiring Policy
Claims Made	Claims Made-Same Retro Dates and CD 27 02 attached	Add CG 27 03 and CG 27 04 to the Expiring Policy

CG 27 02 - Attached to new claims made policy replacing prior policy. New policy will respond to claims arising out of prior occurrence, except for excluded exposure.

CG 27 03 - Activates the Basic Tail for exposures excluded by new policy's CG 27 02. Attached for no additional change.

CG 27 04 - Provides supplementary tail coverage for exposures excluded by new policy's CG 27 02. Should be attached to expiring Claims Made Policy.

Before you decide to change carriers at renewal time, make sure you have the proper endorsements attached to your expiring and new policy to ensure that coverage does not slip through the cracks.

Erin Mullican is Claims Coordinator in Washington, D. C. Office of The McLaughlin Company.

Are You Ready for Disaster?

By Theodore M. Pappas, CLU, CIC

Every year hurricanes, floods, earthquakes, lawsuits, fires, sabotage, and other major disasters expose businesses to risk. Many are organizations without a workable plan for their business.

The proper insurance is a crucial element of disaster planning. Because it is not practical or even possible to protect every aspect of the business, insurance is an important part of the Business Continuation Plan.

Make sure that you can answer these vital questions:

- ⇒ Are my coverage limits and deductibles appropriate?
- ⇒ What kinds of disasters am I covered against, and what perils are specifically excluded?
- ⇒ Does my coverage factor in inflation, improvements, and building code changes?
- ⇒ Is my coverage for "replacement cost" or "actual value" (cost less depreciation)?
- ⇒ Does my Business Interruption insurance cover payroll expenses and loss of income?
- ⇒ Is my documentation (serial numbers, dates of purchase, costs, receipts, photographs, etc.) current and sufficiently detailed for my insurance company?
- ⇒ Is the original of all insurance policies secured in a fireproof cabinet, with a copy readily available?
- ⇒ Am I covered for loss of power or other critical services?
- ⇒ Am I covered for the loss of critical suppliers or buyers?
- ⇒ Am I covered for a denial of access order issued by civil authorities?
- ⇒ Does my insurance cover all the extra personnel and other costs associated with activating and operating the alternate site?
- ⇒ Have I reviewed my coverage with my professional insurance advisor within the past year?

Don't delay. Disaster is not a planned event!

Ted Pappas is President of The McLaughlin Company and Vice President of Creative Risk Management, Inc.

Guarding Against Computer Calamity

By Jamaine Taylor

Some day, somehow, for some reason, your computer is going to fail. But, certain fundamentals can help you mitigate computer calamity.

Follow this disaster-prevention outline:

Protecting Hardware:

- ⇒ Do not allow high temperatures.
- ⇒ Provide adequate room ventilation.
- ⇒ Keep system free of dust and cigarette smoke.
- ⇒ Keep all forms of moisture away; especially consumption of coffee and other liquids near equipment.
- ⇒ Use antistatic spray around computer to eliminate static electricity.
- ⇒ Locate equipment to prevent components from being kicked, dropped, tipped over, knocked, or other jolts.
- ⇒ Use suppressors and/or Uninterruptible Power Sources (UPSs).



Protecting Software:

- ⇒ Keep an ongoing record of what you have and where it is located.
- ⇒ Back up data frequently. Store backups off the premises.
- ⇒ Have media checked regularly for possible loss of data.
- ⇒ Establish a policy about software upgrades.
- ⇒ Purchase and use antivirus software.



Jamaine Taylor is Renewal Business Coordinator for The McLaughlin Company's Executive Protection Department.

Ordinance or Law Coverage

By John T. Pappas

Sometimes local zoning and building laws can force drastic changes in plans to rebuild after a loss and lead to substantial increases in reconstruction costs.

Replacement cost valuation clauses exclude any increase in the cost of repair or reconstruction resulting from ordinance or law regulating the use, construction, repair or demolition of the undamaged portion of a building and/or extensive repairing, remodeling or re-building in order to conform with the current code. In order to have insurance to cover these additional expenses, the following types of coverage have been developed and are generally available:

- ⇒ **Demolition Insurance** covers the cost of demolishing the undamaged part of a building
- ⇒ **Contingent Liability from Operation of Building Laws Insurance** covers the value of the undamaged portion of a building which must be demolished
- ⇒ **Increased Cost of Construction Insurance** covers the increased cost of reconstruction in conformity with current building laws.

Do existing buildings have to conform to the same handicap access, sprinkler and life safety codes as new buildings? No, but they will after a fire.

John T. Pappas is Chairman of The McLaughlin Company.

To: Our Clients and Friends

From: Theodore M. Pappas

The ideas and concerns raised in this issue of SOLUTIONS taken alone do not provide sufficient data to enable you to reach informed decisions regarding your insurance and risk management needs. They are intended to inaugurate a dialogue that will enable us to address your unique problems. Please contact any of our staff with your questions or concerns.

I want to thank my staff for their contribution to this issue and for the professionalism with which they have approached the challenges of the past year.