



Dwight P. Webster, CIC, LUTCF

Webster Insurance Agency, Inc.

200 South Bellevue Avenue

Langhorne, PA 19047

www.websterins.com

Phone: 215-757-0816

Fax: 215-757-3142

Risk Manager

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Filling the gaps with endorsements

Companies may be hard-pressed to find affordable insurance policies that meet all of their business needs. Businesses concerned with obtaining coverage over a wide array of possible risks may enhance their coverage by purchasing **endorsements**. Endorsements address **exclusions** and **limitations** under a basic insurance policy. There may be many choices available for filling gaps in coverage.

Let's review a few options that may help provide some additional protection for your business:

- **Contingent Business Income Insurance.** If a company depends on other businesses, such as manufacturers, suppliers, or distributors, its revenue stream could be seriously affected if those businesses were to suddenly shut down in the event of a fire, storm, or other disaster. Contingent business income insurance covers a business for losses that occur under such circumstances.


- **Accounts Receivable Endorsement.** Suppose a business's accounts receivable records are destroyed by fire or other calamity. An accounts receivable endorsement covers a business for any amounts that are uncollectable as a result of the loss, as well as for the costs of collecting the accounts and recreating the records.



- **Peak Season Limit of Insurance.** During a company's most productive season(s), higher levels of inventory may need to be maintained to cover increased sales. However, if a catastrophe

were to occur, the losses sustained could exceed the amount of insurance carried. A peak season limit of insurance endorsement offers a higher amount of coverage during a business's particular period(s) of high demand.

- **Spoilage Coverage.** Businesses that handle perishables must often maintain controlled conditions to prevent spoilage. A spoilage coverage endorsement protects a business against losses caused by power and equipment failure or general contamination resulting from incidents that are beyond the company's control.
- **Ordinance or Law Coverage.** If a covered peril—such as a fire or tornado—damages a business's property to the extent that the law requires its demolition or complete renovation, ordinance or law coverage insures for the loss, providing coverage to rebuild or repair a building in compliance with the most recent local building codes. Individuals who own



Did You Know?

Want a safer workplace? try an incentive program

A safe workplace is nearly impossible to attain without full employee cooperation. Therefore, implementing an incentive program may prove helpful. By providing small rewards to those who demonstrate safe behavior, you may motivate your workers to help reduce on-the-job accidents, which may, in turn, help reduce your insurance costs. Here are some tips for success:

1. **Get everyone involved.** Kick off the program with a company-wide meeting led by top managers, and encourage employees to make suggestions for rewards.
2. **Make it fun.** Use a variety of rewards, such as free lunches, gift certificates, T-shirts, tickets to events, etc., to maintain employee interest.
3. **Base the incentive on specific, individual safe acts.** This allows you to single out certain ideal

behaviors. However, giving periodic group awards for achieving major safety goals is a good idea, too.

4. **Be fair and objective.** Establish detailed criteria for earning rewards and communicate these criteria to your employees and supervisors before launching the incentive program.
5. **Maintain perspective.** Remind your employees that the incentive program should never deter them from reporting valid injuries. Unreported health conditions may worsen if they are not given the necessary medical attention.

Even the best employees need a little extra motivation now and then. An incentive program can be a fun and effective way to reduce workplace accidents, keep your workers compensation claims and insurance costs down, and boost company morale.

Computer security: breaking the code

Security breaches on the information superhighway are an increasingly serious problem for corporate America. Hackers, computer viruses, and fraud may wreak havoc that could be financially devastating. Such losses associated with computer break-ins could threaten any business.

Savvy Detective Work

Perhaps security crime is worsening because the workplace is increasingly dependent on information technology, such as shared networks and the Internet. To protect the workplace from these unconventional and potentially costly risks, business owners should consider implementing their own cyberspace policing system.

Here are a few actions that may help prevent computer crime:

- **Establish and implement security procedures.** Developing a policy at the highest levels of the company can help transform information technology concerns into a “high-profile” issue. Maintaining tight security around mainframe computers and local area network file servers can help in the prevention of computer breaches and fraud.
- **Equip computers with passwords and anti-virus software.** Passwords can help deter hackers from cracking codes, and they may be one of the easiest methods to help prevent computer break-ins. Efficient use of this

Workers and Stress-Related Illness

The number of employees suffering from stress-related problems is increasing, according to a study by the Families and Work Institute. Results showed that 28% of workers in 2008 described their overall physical health as “excellent,” down 6% from 2002. Significant numbers of workers are being treated for one or more chronic conditions, including high blood pressure (21%), high cholesterol (14%), diabetes (7%), mental health problems (4%), and heart conditions (3%).

Rebounding Job Market

Growing numbers of companies are reporting plans to hire workers over the next year, according to a report by staffing firm Robert Half International and jobs website CareerBuilder.com. In the 2009 “Employment Dynamics and Growth Expectations (EDGE)” report, 53% of employers said they expect to hire full-time workers over the next 12 months. In addition, 40% intend to recruit contract, temporary, or project professionals, and 39% anticipate hiring part-time employees.

Brand Names vs. Generics

A 2009 survey by The Integer® Group and M/A/R/C® Research reveals that consumers are considering price and quality differences between brand name and generic products. Almost 8 in 10 shoppers reported seeking products on sale and comparing prices between brand names and store brands when buying groceries or household products. Only 37% say name brands are more reliable, 39% believe name brands are better quality, and 84% believe brand names are more expensive.

For Your Information



Rapid Response

Rapid Response, a service of the U.S. Department of Labor (DOL), offers help to workers and employers dealing with the effects of layoffs and plant closures in conjunction with state and local workforce development agencies. This business-focused strategy quickly coordinates services and provides aid to companies and their affected workers to maximize public and private resources and minimize disruptions associated with job loss. For more information, visit www.doleta.gov.

“Off-the-Job” Safety

According to the National Safety Council (NSC), safety doesn't stop when employees leave work, and that philosophy can create a sustainable culture of safety both on and off the job. The NSC has established a partnership program to work with businesses to promote off-the-job-safety. They offer resources to help employers assess the cost of off-the-job injuries and develop an off-the-job safety management program. Learn more at www.nsc.org.

BBB Online

The Better Business Bureau (BBB) seeks to create an ethical marketplace for buyers and sellers by setting standards for marketplace trust, encouraging best practices, and denouncing substandard behavior. The BBBOnLine program allows businesses with websites to display the BBB Accredited Business Seal following confirmation of their adherence to the BBB Code of Business Practices. For more information, visit www.bbb.org.

The ABCs of an EPLI policy

More frequently, businesses are experiencing a host of employment-related lawsuits, including claims of discrimination, sexual harassment, and wrongful termination. Invasion of privacy claims stemming from employer monitoring of voicemail, email, office computer systems, and the Internet are also on the rise.

The increase in these liability claims has fueled the need for a different type of insurance coverage—**employment practices liability insurance (EPLI)**. An EPLI policy tailored to a company's needs, combined with a proactive employment practices program, can provide a roadmap to guide a business safely through employee claims.



When purchasing an EPLI policy, business owners should focus particular attention on policy language to ensure that it will provide the appropriate coverage for their business. Policy terms that may cause confusion, and therefore require clear understanding, include the following:

- **Defined vs. undefined.** The use of specific definitions of coverage may provide a threshold for claims

to be tested, i.e., coverage will be granted only for a claim if it meets the express definition contained in the policy. Conversely, undefined terms written ambiguously in the policy may cover all claims, unless specifically excluded.

- **“Consent” vs. “confer.”** When choosing legal representation, the right of “consent” grants an insured business the authority to influence the insurance carrier's selection of counsel. Likewise, the right to “confer” allows a business owner to participate in the selection process without authority to make decisions.

EPLI coverage may also exclude suits involving employees hired under nontraditional employment arrangements, such as independent contractors, consultants, and volunteers, as well as certain claims involving employment-related defamation, misrepresentation or fraud, occupational health- and safety-related issues, and unfair labor practices.

Some EPLI coverage is offered only in certain states. Therefore, companies with operating facilities in several states should ensure their policies provide coverage for all facilities.

Because the risk of potential EPLI claims is often thought to be directly associated with the size of a company, smaller or family-owned companies employing few non-related workers may mistakenly believe they face minimal exposure to liability. Before deciding whether your company may be immune to the risks of employment-related lawsuits, consider speaking with one of our qualified insurance professionals who can help you evaluate your employment practices liability insurance needs.



Risk Manager

Computer security: breaking the code

CONTINUED FROM PAGE TWO

technique includes choosing unusual passwords and frequently changing them to keep potential hackers guessing. Additionally, viruses lurking in cyberspace may infiltrate computer systems and render them useless. Anti-virus programs provide protection against these attacks, and businesses should update this software regularly to combat any new viruses.

- **Install firewalls and data encryption technology.** Firewalls block unwelcome cybersurfers from direct access to company computers and data. They are also used to restrict employees' personal use of the Internet during office hours. These security devices inspect every approaching Internet connection and use a predetermined set of rules to determine whether to allow that connection. Likewise, data encryption,

in which information is encoded before it is transmitted, requires a particular "key" to unscramble the data



on the receiving end. An encryption device can help prevent unauthorized individuals from obtaining and misusing sensitive information.

- **Provide advanced protection with detection and monitoring devices.** These additional security

features may raise red flags or warning signals to companies by identifying repeated attempts by unauthorized individuals to break into a system.

Plan of Attack

Prudence may be the driving force behind the success of any security program. Along with common sense procedures, businesses should consider implementing software and other security measures. They should also assess how sensitive their information is in order to structure a system with the appropriate level of security. Businesses may also investigate Computer Fraud Insurance to protect against losses that security measures may not be able to prevent. Please give us a call. We can help you evaluate your needs and create affordable solutions to help combat potential computer breaches.

Filling the gaps with endorsements

CONTINUED FROM PAGE ONE

large stakes in real estate may be particularly interested in this endorsement because of strict building codes and other safety requirements.

- **Hired and Non-Owned Auto Liability.** Hired auto coverage protects against claims arising out of the use of vehicles leased (on a short-term basis), hired, rented, or borrowed by your business. Employers whose employees use personal vehicles for business purposes, such as driving to a sales meeting or the office supply store, could be held legally

responsible for an employee who is involved in an accident. A hired and non-owned auto liability endorsement helps protect businesses against this risk.

- **Coverage for Injury to Leased Workers.** Contract or leased workers are a major segment of today's workforce for many businesses. A coverage for injury to leased workers endorsement on a **workers compensation** policy protects these workers for injuries sustained while on the job.

Gaps in a company's business insurance coverage can create significant risks to its operations and employees. Obtaining additional endorsements helps provide an added measure of protection in the event of an unforeseen catastrophe.

To help ensure that you and your business are properly covered, please give us a call. One of our qualified insurance professionals would be happy to assist you.